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NATIONAL BUSINESS REVIEW

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Inside

Wine industry pressing Govt to water IDC overhaul

Special Correspondent

THE Industries Development Commission report on the wine industry has recommended to the Government that increased imports of wine be allowed with a much lower duty, specially on cheaper imported wines.

The report also recommends:

- That supermarkets and grocers be licensed to sell domestic and imported wines for consumption off the premises;
- That the need for a winemaker's licence be abolished;
- That the wholesaling of wine no longer be subject to the holding of a licence under the Sale of Liquor Act;
- That a wine reseller's licence be extended to sell both imported and domestic wines for consumption off the premises.

NBR understands the report suggests that import quotas be established for a two-year phase-in period at a level of $12 million cif so that the effects of more liberal duties on the local industry can be studied.

The radical recommendations that the Government delicense the wine industry and make it compete more efficiently in the marketplace are consistent with the spirit of the Government's economic restructuring philosophy.

But it is understood they have stung a swift and angry response from the industry whose representatives have lobbied Trade and Industry's Lance Adams-Schneider in the hope of getting the report amended.

The Government had tried to protect a position which would enable it to make changes surreptitiously, depending on the strength of the reaction from the powerful wine lobby.

It planned to deny consumer access to the report by instructing the Industries Development Commission to send copies of the report — under strict confidentiality — to industry groups such as the Wine Institute, grape grower associations, wine distributors and resellers' organisations.

These bodies were asked specifically to comment on the effects the IDC recommendations would have on the industry and employment.

Wine industry sources in Auckland, clearly nervous

Adams-Schneider . . . lobbied to amend report

about any release of information from the report, denied knowledge of its contents well after they were known to have received it.

Because *NBR* had released previous information on the industry, which we deemed to be in the public interest, Wine Institute spokesman Terry Dunleavy has said that any questions we put to him should be in writing.

NBR received its information on the broad outline of the IDC report because some wine industry sources in Auckland object to the clandestine attempts to keep the consumer in the dark.

IDC sources say they fear the Government will water down their recommendations to appease the powerful wine lobby.

It seems that Government is concerned more with the political effects of the IDC report than in economic principles of consumer interest.

The only consumer interest that gave evidence at the IDC hearings last year requested a report from Trade and Industry Minister Lance Adams-Schneider. The Minister replied that he had authorised release of the report only to "major appropriate elements of the wine industry", and consumer interests would have to wait until the Government made a decision on the report before they could see it.

The IDC has been told to report back to the Minister this week after contacting such bodies as the Wine Institute.

The Government's attitude on the wine report contrasts with the open manner with which the IDC report on clothing and textiles were handled. Both the industry and consumers were presented with the facts in that case.

The IDC has shown itself capable of producing highly detailed work taking all interests into account, balancing consumers' interests against the need to protect jobs and reduce imports.

Such a report was expected on the wine industry.

Consumers' interests should be paramount in any study of the wine industry. Price resistance to New Zealand wines is causing many people to switch to a cheaper, better-quality Australian wine.

The price of a bottle of New Zealand wine has increased from just over $1 to $3.75 since 1970. This increase in wine prices far outstrips the rise in the general consumer price index.

Winemakers have their problems. Contract-grown

Grapes . . . grow on $7000 an acre land

grapes cost $370 a tonne here and only $180 a tonne in Australia. Prime grape-growing land in Coonwarra Australia costs $1000 an acre. Gisborne grape land goes for $6000 to $7000 an acre.

The New Zealand wine industry wants more protection from imports, which means higher prices and less choice for consumers. In return, the Wine Institute has promised to pay its social dues by increasing exports.

But wine exports have been minimal. Eighty per cent of them have come from Corbans, the bulk of this being sherry sent to British Columbia.

New Zealand wines are making no headway in the Australian market. They are too expensive and the quality doesn't compare with fine Australian wines which sell more cheaply, Australian wine sellers say.

Protecting the wine industry so it can hit the captive New Zealand consumer with higher prices would therefore be counter to the objects set out in Government's economic restructuring policy.

The week

Load-out threat

THE Meat Workers' Union called on members to vote for an export load-out ban.

CHRISTCHURCH retailers opposed Saturday shopping and insisted they would keep their shops shut.

WITH an eye on gaining support from small businesses and the public president, George Chapman said the National Party would slant its campaign strategy towards publicising the benefits that would trickle down to these groups from the Government's development policies for the 1980s.

FIJI signed the South Pacific regional trade agreement with Australia and New Zealand after settling the orange juice issue.

AIR New Zealand resumed negotiations with the Chilean airline, LAN, to start an air link between the two countries but the FOL is maintaining its opposition to the move.

THE joint New Zealand-Bahrain coolstore venture has picked up business since the Iran-Iraq war.

FEES payable under the Companies Act will be increased from October 28.

PETROCORP has let a contract with Hurleston Earthmoving Limited for the site development work for the Kapuni ammonia-urea plant.

THE promise of 500 permanent jobs to the 1100 temporary railway workers and the retention of the rest put an end to last week's railway stoppages.

The business week

Canterbury Frozen Meat Ltd decided to resume trading in a significant amount of its lamb, beef and offals. It will pay a final ordinary dividend of 11.5 per cent.

Industrial Equity Ltd reported an unaudited tax-paid profit of $A9,642,000 for the year to June 30 ($A4,483,000 last year). A final ordinary dividend of 4c is payable on November 13.

Progressive Enterprises Ltd appointed Alan Bell, Waari Ward-Holmes and Brian Woolf to the board.

The **Permanent Investment and Loan Association of Canterbury** will pay a final dividend of 7 per cent for the half-year to September 30 on November 24.

Printing and Packaging Corporation Ltd reported an audited tax-paid profit of $2,763,196, a 42 per cent increase. A final dividend of 10 per cent is payable.

Odlins Ltd purchased the timber merchandising and joinery manufacturing business of **Paynter and Hamilton Ltd.** Odlins will also acquire the company's sawmill at Harewood.

Watties Industries Ltd reported an unaudited tax-paid profit of $17,543,000 for the year to July 31, a 13.7 per cent increase. A final dividend of 5.5 per cent is payable.

Autocrat Sanyo Holdings NZ Ltd reported an unaudited tax-paid profit of $880,837 for the half-year to August 31 ($730,103 last year). An interim dividend of 8.5c is payable on November 3.

L D Nathan & Co Ltd reported an audited tax-paid profit of $5,704,000 for the year to July 31 ($A4,806,000 last year). A final dividend of 10c is payable on December 15.

Lane Walker Rudkin Ltd will close down its Waimate plant making 57 people redundant.

Economic indicators

THE Consumer Price Index for all groups increased by 3.6 per cent in the September quarter compared with the June quarter.

WINE production increased by 10.2 per cent in the 1979-80 year from 43,341,000 litres to 46,647,000 litres.

THE orders, which major private importers placed overseas for August (not counting mineral fuels) decreased by 11.7 per cent, totalling $158 million.

The week ahead

MONDAY: The People's Republic of China's Forestry Minister, Yong Wentao here on an official visit.

Seventh International Management Conference of the Asian Association of Management Organisations in Adelaide.

Talk entitled "fast-track training" sponsored by the Association of Training and Development in Wellington.

TUESDAY: Prestige Holeproof (NZ) Ltd's annual general meeting in Auckland.

Wormald International NZ Ltd's annual general meeting in Auckland.

Commerce and Energy select committee looks at the Petroleum Amendment No 2 Bill.

Health and Welfare select committee looks at the Plumbers, Gasfitters and Drainlayers Amendment Bill.

Lands and Agriculture select committee looks at the Dairy Board Amendment Bill.

Public Expenditure Committee meeting.

Statutes Revision Committee looks at the Penal Institutions Amendment Bill, the Criminal Justice Amendment No 2 Bill, and the Glenesgie Agreement Bill.

WEDNESDAY: Foreign Affairs committee meeting.

Commerce and Energy Select Committee looks at the Cinematograph Films Amendment Bill and the Electric Power Boards Amendment Bill.

Labour and Education Select Committee looks at the Factories and Commercial Premises Bill.

Lands and Agriculture Select Committee looks at the Agriculture (Emergency Regulations Confirmation) and the Poultry Board.

Local Bills Select Committee looks at the Auckland War Memorial Museum Maintenance Amendment Bill, the Racing Amendment, and the Impounding Amendment Bill.

Parliamentary Privileges Committee meeting.

Public Expenditure Committee meeting.

Statutes Revision Committee looks at the Credit Contracts Sale of Liquor Amendment Bill.

FRIDAY, Australia and New Zealand Greyhound Association conference in Auckland.

Ajax GKN Ltd's annual general meeting in Lower Hutt.

PM survived for another round

by Colin James

THE PRIME Minister last week survived for another round. The steel was not quite sharp enough or the resolve quite well enough pulled together to do the deed.

But the issue is not going to go away. MPs – with the acquiescence of an almost "humble" Prime Minister – have kept the issue alive.

In the words of one MP, it is an unfolding issue. In the words of another, it is still fluid.

By any standards, it was an extraordinary week. Gradually a majority was put together, so some MPs claim, for changing the leader.

Even though it did not come to anything last Thursday, it remains an unique affair – to challenge a sitting Prime Minister has not even been seriously mooted since the first world war.

And that it is still alive is even more intriguing. Over the next two weeks, much intrigue and manoeuvring can be expected in anticipation of the return of Brian Talboys. If there is a move, it is likely to be at next week's caucus meeting.

Basically the situation is:

- The Prime Minister has left open to MPs the opportunity to raise the issue again over the next two weeks and talk it out;
- He now has two weeks to use all the many weapons – offers, threats, calling up of old debts, help in individual electorates and so on – to head off the supposed majority for change;

Brian Talboys . . . expected in anticipation

- He has also the option of really changing his manner of leading the Government – a Cabinet change, a restatement of the Government's economic programme, abstention from personality politics – which just could cool enough hot heads.
- But if there are no changes, MPs will realise over the next week or so how little they actually got from him and could refuel their demands.

Their uncertainty will be heightened by the result of the October 4 Heylen Poll taken for the *Auckland Star* and *National Business Review* showing a continued slide in National fortunes.

National needs something dramatic to turn that round.

The week

Questions raised by vocational training transfer

by Allan Parker

INDUSTRY employers are protesting a decision by the Government-funded Vocational Training Council to let its national women's advisory officer set up an office in Nelson after her boyfriend was transferred there.

The woman, Mary O'Regan, rents office space in Nelson and commutes to Wellington for meetings and briefings with her employers.

Private-sector employers question the decision to allow a senior national official to set up shop in a small provincial centre at the taxpayers' expense for what are essentially personal reasons.

Most of the criticism is coming from Auckland, where manufacturing engineers, particularly, are pressing for increased manning on the Engineering Industry Training Board to cope with their demands.

Their questioning is proving highly embarrassing, because the VTC is undergoing a Government review of its operations.

The decision to let O'Regan go to Nelson was made by retiring VTC director Bob Stewart.

NBR understands that it caught council members by surprise and, according to one source, the members were "quite upset" when told of the decision.

Council chairman Major General Les Pearce apparently was overseas at the time of the transfer decision and expressed some concern on his return to New Zealand. The transfer was made without his approval.

An industry employer source told *NBR*: "There's been quite a bit of stirring about it. It's most inconvenient and costly, particularly as her appointment is a national one."

Another engineering industry source said: "It's a total misdirection of resources."

VTC director Stewart says the appointment was made on a trial basis and will be reviewed at the end of this year – some six months after O'Regan moved to Nelson.

He says a cost-benefit study shows the cost of maintaining O'Regan in Nelson is less than keeping her in Auckland. That reasoning appears to be based on a room rental of about $10 a week and a once-a-month trip to Wellington.

But the private industry employers question the efficiency and effectiveness of maintaining an office for a national official a $70 return air fare away from head office.

Stewart argues that O'Regan is also undertaking liaison and pilot scheme work in the district.

The liaison work, he says, is reducing travel costs for the VTC's Christchurch staff and the pilot study work will have national implications.

Another reason for approving the transfer was to keep the services of O'Regan – "a top-class officer" who was heavily involved in a variety of VTC projects at the time of her request to shift centres.

"We could not have replaced her to do the work so decided not to lose eight-to-nine months work."

O'Regan agreed that her request to move to Nelson was for "personal reasons".

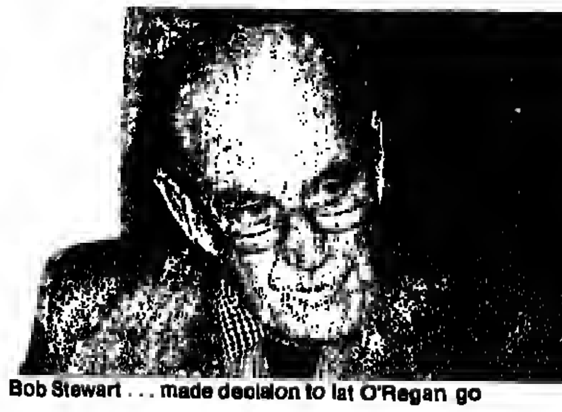
The establishment of a Nelson office – "it's just a room really" – was "rather unofficial" and a "private arrangement between the director and myself".

She said she would "personally be very annoyed" if an article was published. The arrangement, she said, is "not State Services policy".

O'Regan maintained that she travels frequently in her capacity as a national officer for the council and a record has been kept of costs involved in operating from Nelson instead of Wellington "where a desk is still kept for me".

She also noted that "I am the only person doing my job in New Zealand and I spend a lot of time travelling around the country, anyway."

The arrangement, she confirmed, was only on a trial basis. She did not know if it would continue after the Christmas review but doubted if it would if the deal was made public.



Bob Stewart . . . made decision to let O'Regan go

VTC Women's Advisory Committee chairwoman Dorothy Stafford said the proposal that O'Regan operate from Nelson was "our (the committee's) idea and our scheme".

"We were faced with the resignation of O'Regan who had already applied for a position in Nelson. And the last time we had a vacancy it took us nine months to get a replacement – that's the way the public service system works."

She described the move as "an experiment in decentralisation" and an opportunity to set an example of flexible working patterns as endorsed by the recent Planning Council report on employment.

She said any increased costs would be "peanuts" in the context of the VTC's total budget and "any thought that O'Regan went to Nelson on a personal whim would be totally incorrect".

In the meantime, Auckland engineering trade employers are becoming increasingly concerned at the lack of training coverage for their industry.

The Engineering Industry Training Board used to maintain two officers there but one was moved to Hamilton to cope with growing demands from the Waikato area.

The remaining officer resigned and a replacement began work in Auckland only last week.

The Auckland engineers consider a second training officer should be appointed as a matter of urgency.

The week

MacIntyre lobbied to let cheap marg onto market

THE Dairy Board harbours secret fears that forces within the Trade and Industry Department are preparing to unleash recommendations which will allow cheap margarine to compete locally with butter.

Board sources suggest there has been some "heavy" lobbying of Agriculture Minister Duncan MacIntyre and his department to have the Margarine Act changed to allow edible tallow-based margarine manufacture.

Under an amendment to the Act in October 1972, polyunsaturated margarine (made from edible vegetable oils), found its way on to the market.

But the cheaper tallow-based product remained shut out.

Dairy Board insiders believe pressure is being put on MacIntyre by a major North Island manufacturer.

Presumably, his weight would be lent to supporting changes in the Act which could follow in the forthcoming IDC report on the margarine industry which is now before the Trade and Industry Department.

The lobbying manufacturer is basing its request on export prospects of tallow-based margarine to South-east Asia.

Industry observers say the local industry has levelled out and is in an "overkill" situation because of a third entry into the market – Kaipara Edible Oils Refinery Ltd of Helensville.

The industry is nor considered profitable and the only route to growth is through exporting.

Expensive vegetable oils preclude exporting polyunsaturated margarines. But New Zealand – already a substantial tallow exporter – could manufacture tallow-based margarine and export competitively.

Dairy Board insiders say that given the Government's mood for restructuring and competitiveness, there is a chance the Act may be changed once again.

The Margarine Act 1908 defines margarine as including all substances and compounds prepared or manufactured from animal fat or edible oils, capable of being used as a butter substitute.

The amendment in 1972 merely allowed the use of colouring and flavouring of edible oil-based margarine.

Margarine has about 16 per cent of the New Zealand spread market – 7500 tonnes of margarine a year against 48,000 tonnes of butter.

There has been some recent industry talk about importing cheap Australian tallow-based margarine for the local market in exchange for exporting our butter to that country for re-export.

But Ausrralian margarine manufacturers – interested though they are in seeing their products on our supermarket shelves – doubt whether that scheme will ever see the light of day.

An industry spokesman in Sydney told *NBR* that the dairy industry just wouldn't tolerate New Zealand butter.

"They've stopped the erosion of their market share by doing a good marketing job. They won't throw all that away by putting up with New Zealand butter in Australian stores".

The Australian spread market is divided 70/30 in favour of margarine. But it is an extremely competitive market and looks to exporting for growth.

Major Australian producers have looked to New Zealand in the past, and in fact Marrickville Holdings Ltd – formerly one of the big four margarine manufacturers – owned 25 per cent of Abels Ltd Auckland and half of Eta Foods Ltd Auckland, before selling them 18 months ago to General Foods Ltd.

A recent article in the Australian Primary Industry Letter quoting Primary Industry Minister Peter Nixon clearly spelt out the Aussies' attitude:

"I can assure you that, as a guideline principle, the Australian Government does not contemplate entering any new trading arrangements with New Zealand except on the basis of equality of fair trading opportunities between industries in the two countries.

"I would also like to repeat the assurances made publicly by the Prime Minister and myself that the Government will not allow the Australian dairy industry to he adversely affected by unfair competition from New Zealand or elsewhere.

"As I have said on previous occasions, the answer to New Zealand's problems lies more in co-operating with Australia to develop third markets, rather than trying to encroach on our domestic markets."

But a bigger threat to butter is its retail price and controlled margin.

It now costs 87 cents a 500 gram pack and 7% margin, compared with margarine at $1.12 and a 25 per cent margin.

Margarine regularly sells in city supermarkets for 95 cents a 500 gram pack, and often as low as 85 cents as a loss leader.

Said one producer last week: "The price of butter can only go one way because it is a dairy product tied to the fortunes of New Zealand's economy. Margarine, on the other hand, is related to the world price of edible oils which constantly rises and falls".

Works spending reforms

STRICTER controls on the Government's works programme are to be attempted to weed out expensive or low-priority projects before they become politically impossible to stop.

The key point in the Treasury approval chain now is at the stage of calling tenders.

It is then that the Treasury has enough information to assess the economic impact and efficiency of the project.

But political commitments have often been made which make it impossible to call off the project, no matter what other arguments may be advanced against it.

The result is that a project may be built which not only uses up scarce capital, but then imposes an inescapable current spending liability.

Example: Hospital buildings have recently been completed that were originally planned in the early 1970s at a time of fatter budgets and a growth economy. Some have been left unused because it costs roughly half as much a year of current expenditure to run them as it cost to build them.

The Treasury is taking a tougher view this year, according to Treasury assistant secretary Brian Tyler.

He says the Treasury is aiming to assess projects at a much earlier stage. In the past conditional approval was often given in the expectation that the decision could be reversed if necessary before the Government became locked in to a project on the letting of contracts.

This system will not apply to this year's works programme since it is now too late in the cycle to do so. It will apply to next year's review.

Comment

Editorial

PRIME Minister Robert Muldoon came home last Wednesday to an unenthusiastic welcome. In his absence there had been a subtle shift of mood, a sense of calm not enjoyed since the Holyoake years. His deputy, Brian Talboys, had for the first time been truly an *acting* Prime Minister: confident, assertive, prepared to lead decisively and independently on the South African tour and industrial strategy. There was little desire for a return to the antics and contortions of Muldoon wizadry.

The depth of distrust and disillusion in his own party did not escape Muldoon. After a trans-Pacific flight, when most people want to rest, the Prime Minister went instead to a meeting of his party's dominion executive, which told him as bluntly as these things can be done within the decorum of high politics, that the party's chances in 1981 look extremely dim and he must carry much of the blame. Putting his best face on it afterward, Muldoon talked of his "old friends" on the executive. Had he read his *Listener* first he would have seen his president shying away from returning the accolade: "No, I make no claims that Rob Muldoon is my friend."

How many others in the party would echo that? Even in Auckland, once his power base, even in his own loyal domain of Tamaki which has boasted one of the tightest, most harmonious and dedicated organisations in the country, the Muldoon magic has turned to a millstone. Once he could turn the dross of 1972 defeat into the gold of 1975 victory. Now he is the leper who cannot change his spots. He was "too long in the tooth" to change his leadership style, he said when he got off the plane. Those were exactly the words party workers least wanted to hear.

What has gone wrong? Newspaper clippings from 1974-78 are littered with intemperate Muldoon attacks on some unfortunate group or other. Muldoon grenade-throwing was the country's favourite spectator bloodsport. Why not now? Why is "it's happened once too often" one of the most frequent phrases on party lips?

A year ago the National Party had a plan. Reduced to its essentials, it entailed freeing up the economy to make it more efficient and encouraging fast, capital-intensive, foreign-financed industrialisation. A vision floated before the eyes of party strategists of a country rich in resources, once again self-confident and relishing challenge.

Many questions could be and have been asked about that vision's validity. But at least it was a vision, when none was being offered in the political arena. The party believed it could be sold to the electorate as an election-winner — not the ignoble superannuation bribe of 1975, but an honest offer of a worthy future.

The vision has not been sold. It lies in tatters amid growing suspicions that the National Government is selling off our heritage to foreigners, and cheaply at that; that it stands on the side of big business at the expense of small business; that it stands for the heartless scrapping of jobs in the name of "restructuring". And now there is not even the claim of sound economic management to fall back on. Unemployment and inflation are high and apparently intractable. Business expansion which might help reverse the employment trend is deterred by crippling interest rates and uncertainty over the future shape of the economy.

Not all of this can be laid at Muldoon's door. Depressing international influences on the economy are not easy to counter. And he, more than most in his party of "more market" ideologs, has recognised the electoral pitfalls in too fast a liberalisation of the economy. He is as much an economic nationalist as many of his critics. But the tide has been strong; Canute-like, Muldoon has had to acknowledge its force; the result has been an equivocation that has made him an interventionist among his fellows while a ruthless "destructurer" among his opponents.

Muldoon may have sensed, perhaps correctly, a like equivocation in the electorate. But two negatives do not make a positive in politics. And it is a positive lead that the country seems to yearn for now. Why else would Talboys' speech to manufacturers last month reaffirming the Government's commitment to restructuring be in heavy demand? What has prompted his torrent of fan mail?

It is Muldoon's very compounding of the public's equivocation that has him in hot water with the electorate, and the party. It is his essential negativism, his quintessential failure to develop a positive, long-term goal for his beleagured countrypeople to look to that put him through a roasting at last Thursday's caucus and left him a lame duck leader, his position open to challenge over the next few weeks. Talboys is not only ready to serve, but clearly has very wide support.

In 1975 Muldoon said he hoped above all to leave New Zealand no worse a place than he found it. Five years later, it is unquestionably a worse place. If he doesn't dramatically reform, the electorate will see to it next year that his ambition will be defeated. Unless, of course, the caucus, now at last aware of it, decides to call in the chips.

Colin James

Without word of a lie

Lion takes pride in conservation

A TWO-PAGE advertising spread in the *Auckland Star* extolling the attractions of various Lion Breweries' pubs around Auckland informed readers that The Gables — an intimate tavern in Herne Bay — is the only pub in Auckland that can claim "a sunken conservation pit" (complete with grand piano and open fire).

Conservation pit? Either Lion is finding that beer drinkers are becoming an endangered species or they are trying out a revolutionary system for recycling their product.

Anticipating a new government?

THE possibility of a Labour Government in 1981 is being taken more seriously these days — and one organisation which must have been sniffing the wind is the Department of Internal Affairs.

Its action in appointing T C R Horner, Miramar, Labour Party activist, as chief executive officer of the Local Government Commission might surprise some. But not when it is realised that Local Government Commissions have always been, and will probably go on being political footballs.

It was "restructured" in 1977 when the previous five-man commission was sacked and replaced by the present incumbents. Now it should be "reformed", according to the recently released Labour Party policy statement on local government.

Obviously Internal Affairs and its new man, Horner, will be just the people to show the next Labour Government how to do it.

Fishing data with a catch to them

THE bureaucrats seem to be having some bother persuading Chatham Islanders of the great need in Wellington for statistical data.

One islands fisherman was recently nailed by a Fishing Advisory Board official who anxiously wanted his fishing returns.

"Just give me the forms and I'll give you your information," said the fisherman. "And would you like next month's returns while you are about it?"

Petro plant puts dollars in wrong pocket

WITH all the rush to get into downstream industries from our energy riches, it is interesting to note the reaction of Singapore's astute Prime Minister Lee Kuan Yew.

He has recently questioned the wisdom of Singapore's earlier decision to get into petrochemical production and said at the end of the Asian and Pacific Commonwealth Conference in New Delhi: "We have to get out of it".

In other words, just when we're embarking on a petrochemical programme worth hundreds of millions of dollars, the Singaporeans are finding the heat's too strong.

Lee Kuan Yew's reasoning: The advantage for petrochemicals will go to oil-producing nations like Malaysia and Indonesia which also have cheaper labour.

He said: "Looking ahead to the 1990s, I'm wondering whether we were wise (to get into petrochemicals), because we will be squeezed by the middle or end of that decade."

Brockie's view

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Comment

The inspiring story of the Siwik Isles inhabitants

by Brother Jeremiah

WALKING on one of Dunedin's beaches recently I chanced upon a small casket washed on to the shore. In it was a manuscript containing this account of the Siwik Isles which seemed to me so affecting and instructive that I now make bold to place it before the New Zealand public.

The two Siwik Isles[1] lie in the recesses of the South Pacific and until very recently their inhabitants lived in the deepest heathen darkness. One of their most striking vices was that they tried to do as much as possible for themselves. Each family not only planted coconut trees but swamp taro and yams as well. Instead of sticking to a single crop their plantations were an untidy mess with a breadfruit tree or two, a few oranges and lemons, perhaps a mango and a few bananas.

Some even took absurdity to the extreme of growing their own peppers and making their own coffee from the beans of one or two trees.

When not working in the gardens the men went fishing while their wives spent tedious hours making bark cloth from the local trees.

Misled by atavistic chiefs like Egavas and Krik they even placed barriers across the outlets of the reef to stop the big ships landing fully completed goods. Instead they insisted on getting the strangers to let them have goods in pieces so that they could put them together themselves[2].

Living in this fashion they were able to sustain themselves in a healthy but primitive way which they made even worse by the foolish customs of giving a portion of the product of their gardens to form a pool from which those prevented from working by bodily or mental disabilities could be adequately nourished and from which a body of medicine men and sick attendants were sustained to care for those who fell into ill health.

The few foreigners who visited the isles in those barbaric days reported that the people seemed quite happy, blissfully unaware that they were living in the deepest economic sin. They did not even seem to care that their foolish customs meant that the chiefs and owners of large plantations were unable to acquire the riches which international specialisation should have made available to them and that they were thus denied the opportunity to distinguish themselves very markedly from the vulgar herd.

It is an ill wind that blows no one any good, the saying goes, and this was to be the case with the Siwik Isles. It was a chill wind blowing across the sea from faraway lands which, by damaging some of the crops and sinking some canoes, made the old leader unpopular and led the people to choose a new leader, the great and wise chief Mugaboon, affectionately known from a distinguishing mark as Scarcheek.

Mugaboon was a man of great wisdom for he had sat at the feet of the multi-national missionaries and he had learned the secrets of the new economic faith. He even, it is said, possessed a copy of the Revised Orthodox Version of the Gospel according to Adam Smith. He knew therefore that to try to do things for oneself when they could be better done by others was the depth of ignorance and folly.

We must give up doing things that are not economically viable he told the people. We must concentrate entirely on doing what we can do better than anyone else. Lame ducks must not be supported, he insisted. That is the fundamental article of faith.

So enlightened, he led the Siwik in a campaign to restructure their economy. It was evident of course that fishing with hand-lines from canoes was far less efficient than netting them by the tonne in modern trawlers so the people wisely gave up fishing and imported frozen fish instead. For the same reasons the planting of a medley of crops on little plots was soon abandoned.

Instead of messing about with coffee beans, those who could afford it now had instant coffee in attractive tins. It was speedily evident indeed that no agricultural or industrial activity on the isles was economically viable except coconut growing and the tourist trade. Foreign companies were thus invited to establish fabulous hotels where the Siwik could see the world's elite gambling in the most up-to-date mechanised casinos.

As for coconuts it was not long before it became obvious that the system of small family or clan plantations was hopelessly inefficient economically. Fortunately an international company with immense capital provided by the oils of the lands of Araby came to the rescue. With its aid the entire Siwik Copra industry was united in a single highly efficient concern.

To make this possible, however, it was necessary to replace the Siwik workers. Wedded to habits derived from their pagan past they made the quite uneconomic demand for wages sufficient to enable them to eat three times a day.

They even banded together in societies and pledged to enforce their demands by the threat of refusing to work altogether. It was fortunate indeed that Chief Mugaboon's leadership was equal to the occasion and that foreign labour took over from the Siwik recalcitrants.[3]

As these beneficial reforms continued, more and more Siwik came to realise that they were themselves economically non-viable enterprises and should be restructured by death or emigration. The former process was fortunately hastened by the reduction and eventual abolition of the system of handouts for the unfit and of the community-supported services of medicine men and attendants.

Chief Mugaboon's successors convinced the people that while it was an economic sin for a community to try to be self-sufficient it was a crime for an individual not to be so. They got them to realise at last, that to help the unfit was actually to degrade them, to prevent them from standing on their own feet. Such help was contrary to the basic article of faith that lame ducks must not be propped up.

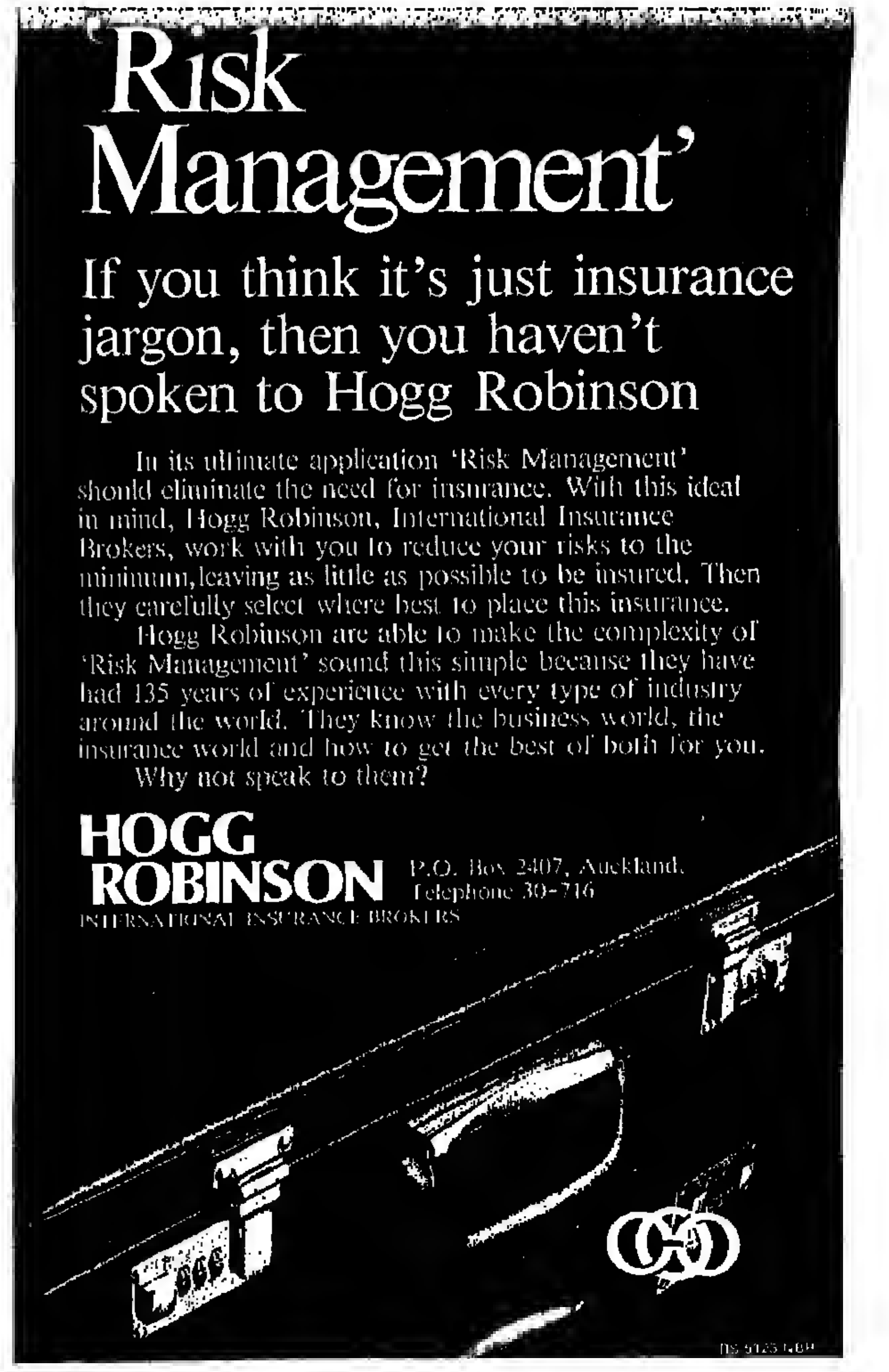
Of those who didn't die, most emigrated to the cities of the great South Land where in place of their former heathen life they are now far better employed as cheap immigrant labour, dole-bludgers, pimps and drug couriers.

Some Siwik do indeed still live on the islands. The girls do well as dancers and prostitutes in the tourist hotels. The men, while living mainly on the earnings of their womenfolk, make something from carving pseudo-traditional nicknacks.

The most beneficial effect of this economically desirable reduction of the Siwik population is that it has enabled the small elite, who own and rent the land to the foreign companies, to break out of the dull dreary homespun confines of their previous heathen state. They are now able to participate in and enjoy to the full the rich sybaritic existence of the international elite to which their nobility of birth so fully entitles them. Let us hope that other such pagan island peoples will be inspired by this tale and follow the true progressive path.

FOOTNOTES

Brother Jeremiah is also known as J D Omer-Cooper and is professor of history at Otago University



Letters

Destructive criticism

AFTER watching a news headline telecast the other day my 18-year-old son remarked that there was nothing good among the items telecast. When I asked what he meant by "good" he said every item had to do with death, doom or destructive criticism.

Your editorial column (*NBR* September 29) reminded me of my son's remark.

It must appear to many particularly overseas readers that the media in this country believe that politicians in New Zealand when elected to govern, by the people, then sit down and dream up all they may implement by way of legislation that will attract the most criticism from the media and possible action by the minority pressure groups.

I do not believe that our politicians, of whichever party, think in this way.

Is it not time that we New Zealanders did a little thinking constructively about how to make this country a better place to live in by getting alongside each other to see how we can help each other rather than how to destroy each other?

M A J Miller
Auckland

Personal tack on tourists

COMMENTING on the article by Lynette Rankin (*NBR* September 15) and other recent discussions on the tourist industry, I rather wish there could be some nationwide promotion of the idea that most tourists come, not only to see the sights, but to get to make the acquaintance of the people.

They are very appreciative of any gesture of friendliness of helpfulness on the part of strangers in a strangeland, and we could make this a feature of our tourist industry.

I was struck by the need for this when I recently spent a few months in a town that is a recognised tourist resort, and discovered that asking for directions in shops or offices caused the temperature to drop several degrees, the only conclusion being that these people are sick of tourists and don't mind showing it. (A notable exception was the AA office.)

Some years ago, I was waiting, on a Sunday morning, at the junction of Symonds Street and Khyber Pass Road for a bus, and noticed a young man festooned with cameras, also waiting. Finally he asked me which bus he should take to get to the city, where he was to take another bus that would go past the museum; the whole journey with intervals of waiting being likely to consume several hours of his day. I asked if he minded walking, pointed down the road to Grafton Bridge and said that if he crossed by it and kept on walking he would very soon be in sight of the museum; 20 minutes ought to do for the whole job. He had been misdirected, which was bad.

Another time, I saw a lady taking photographs in Albert Park, we got talking, and it appeared that she had a very limited time to spend and had wanted very much to go to Judge's Bay, but had no way of getting there, as her hotel had been unable to direct her. I put her on her way, which was perfectly simple, and wondered why hotels don't try a little harder.

Marion Kirk
Auckland

Chilean credibility

UNDER the heading Without Word of a Lie (*NBR* October 6) you comment on the arrest and allegations of torture of Claire Wilson, a young Anglo-Chilean woman resident in Santiago, and infer a lack of credibility on the part of the Chilean government and of the ambassador of Chile accredited to New Zealand.

According to the *Guardian* correspondent's article which you quoted, it appears that Mr Patrick Keatley has been altogether misinformed regarding the sequence of events of the Clair Wilson affair, and the statement made by our ambassador in the matter is restated as constituting a true record.

Mr Keatley no doubt has a well-deserved reputation as a correspondent but it seems to me that the ambassador of Chile is worthy of at least the same degree of credibility. I do not propose to comment on the inuendos contained in the article under reference but will leave it to your readers to form their own judgement.

Elena Lema
Press Attache
Embassy of Chile
Wellington

Compliments for Gamlin

I have just read the political comment of Mr Jeff Gamlin (*NBR* September 22) on the East Coast Bays by-election.

I must say that I have not read any of Mr Gamlin's political writings before but found his analysis of the election result both perceptive and well researched.

It makes a pleasant change to read such a well balanced political commentary in *National Business Review* instead of the other superficial commentaries that have increasingly become the hallmark of your regular political commentator. Let's hope that we can read more of Mr Gamlin.

In an increasingly complex political environment there is a great need for well balanced, critical and effectively researched political backgrounding of which his article on East Coast Bays was an excellent example.

Jim Anderton
President
NZ Labour Party

Other side of the coin

CONGRATULATIONS to reporter Warren Berryman on his exposure of the Alko Frei promoters (*NBR* September 29 and October 6).

Franchising itself is an excellent marketing tool and many sound franchises are available.

International Franchising is currently working for some substantial clients (including a subsidiary of a major listed company). Potential business buyers will find in these franchises an opportunity to secure a future for themselves and their family.

Intending franchise purchasers should:

- Discuss the proposal with their accountant and lawyer;
- Watch for rip-off merchants hiding behind PO Box numbers;
- Be wary of false promises and any deal that promises fortune for nothing. If you want to make huge sums without working buy a Golden Kiwi ticket — the odds are better;
- Never pay upfront money at the first meeting;
- Check the *bona fides* of the promoters;
- Be sceptical of products which may only be fads.

Franchising can be highly profitable for investors and franchisors alike.

The moral of the story is: insist on full and proper disclosure, and take your time evaluating the proposal.

Gavin Hodder
General Manager
International Franchising
Auckland

Politics

The end of the golden weather: Holyoake steps down for the last time

by Colin James

THEY farewell Sir Keith Holyoake on Thursday — nearly 50 years after he first went to Wellington as an MP.

Whatever you think of him, just to have been around that long, most of it at or within spitting distance of the top, is a monumental achievement.

Holyoake learnt early, as his successor once-removed learnt last week, that survival can be a big enough problem on its own. In 1938 Labour's high tide put him out of the parliamentary swim.

Five years out then cost him the chance of beating Sid Holland for the leadership, which could have profoundly affected the nature of the renascent National Party.

But, just as 30 years later the party was to turn to a strident, pugilistic destroyer when at a low ebb, so in the early 1940s Holland was probably more appropriate to building a "we can win" psychology.

It is perhaps instructive that Holland was less successful in government than opposition, his brash, disorienting style — rapid decontrol, high inflation, union confrontation — putting the Government nearly on the ropes by 1954 after only five years and out in 1957.

It was Holyoake who restored steady-as-you-go politics.

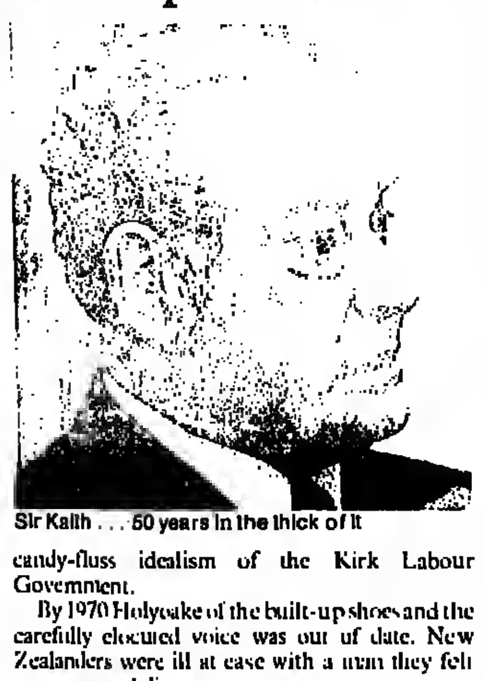
The Holyoake years proper, the 1960s, were years of open-ended expansion — hospitals, bridges, houses, big agricultural output increases, the first substantial manufactured exports, enough money to go round.

You might call it the cotton wool decade; aside from a bit of trouble over wool prices in 1967 and 1968, the only jarring notes were those of idealism, over Vietnam and the environment.

For that decade, Holyoake, the ultimate cotton wool politician, was ideally suited. The soothing intonations, the uninterrupted flow of skilful compromises reaching their apogee in the National Development Conference, spread so thick over the centre ground of politics that his opponents looked like urchins with peashooters.

The country was going nowhere, or, rather, nowhere in particular, but no one cared much. The soft-opinion country in the soft-opinion decade had its ideal Prime Minister in a man who saw his ambition in terms simply of holding power.

It has become fashionable to bemoan the wasted opportunities to "restructure" in the fat years. But the country itself gave the lie to that possibility: when it turned against Holyoake at the end of the decade, it was not to economic realism but the candy-floss idealism of the Kirk Labour Government.


Sir Kaith . . . 50 years in the thick of it

By 1970 Holyoake of the built-up shoes and the carefully elocuted voice was out of date. New Zealanders were ill at ease with a man they felt pompous and distant.

Both views were understandable, but wrong. Perhaps not since Seddon did a Prime Minister have a more carefully tuned intelligence system for gauging grassroots attitudes.

And in private he had a puckish humour that bemused and delighted those who experienced it. Had he had more showmanship, he could have become an enduring popular figure.

But his style was low-key chairmanship. His feel for consensus — much maligned then but how wistfully longed for now — got the most out of strong ministers, but at the cost of a facelessness that eventually sealed his fate in 1972 just as in 1957 he had sealed Holland's with a tough ultimatum to party bosses.

He didn't lose his influence, though. His support is widely held to have been critical to the success of the coup against Sir John Marshall in 1974.

His reward came three years later with elevation to the Elysian fields of vice-regal impotence, perhaps the most controversial move of his career.

A possibly apocryphal tale has it that as Prime Minister Holyoake used always to carry a copy of *The Republic of New Zealand Bill* when he went to see the Governor-Generals who got a bit towey.

For the last three years it has been Holyoake's turn to say "yes, sir, no, sir" to his former protegee. What he has thought of the goings-on of that gentleman I don't know. But a mighty lot of people look wistfully back on the Holyoake years.

Labour considers taking a professional approach

by Colin James

"LABOUR is strongest now in the South Island, home of dying parties," wrote Professor Robert Chapman after the 1960 election.

And so it still is. Labour people in search of spiritual sustenance find no better source than Christchurch, home of an extraordinary renaissance in the party and otherwise a city of gloom.

First it was the advent of three fine organisers — David Caygill, Ann Hercus and Mike Moore — in the 1978 parliamentary election, closely followed by Geoffrey Palmer in 1979.

Then it was a 16-4 win over Citizens in the local body elections last month.

Why? Mayor Hamish Hay, who survived the Labour tidal wave, put it down to a strong mood of dissatisfaction among Christchurch voters with the policies of the (National) Government and the fact that Labour was "a professional organisation" while his Citizens "were like a crowd of amateurs".

I don't propose to analyse the local body results in depth, partly because it would be a mammoth task and partly because in any case the operation of local factors, the significance of which is hard to gauge without good local knowledge, makes the drawing of lessons on a national scale a hazardous business.

About the most that it seemed safe to say last week was:

- That women continued their advance into the political infrastructure, slowly constructing the sort of base that alone will support equality at the top levels in politics.
- That Labour, at best, has no cause for excitement and at worst has cause for worry; one disquieting factor for Labour was the reasonable first-up showing by rate-cutting organisations or candidates in the Wellington region and the rate-cutting new mayor of Auckland, Colin Kay (who beat Labour's popular Cath Tizard) — a sort of tenuous local body parallel with Social Credit's national capitalisation on disillusionment.

Labour can take some consolation from the difficulty of improving on a good year — and 1977 was a good year. But, it seems, the breakthrough impact the party is looking for with Bill Rowling's rallies starting next week is not going to be won easily.

Which brings us back to Mayor Hay's remarks about organisation. The recognition has spread within Labour that it must organise better for 1981.

This is where Roger Douglas comes back in (maybe temporarily — his iconoclastic book is due for release next month). Douglas has been putting together an organisational strategy which last week looked well on the way to forming the basis of next year's effort.

As it emerged last week the plan rests on the need for concrete goals in membership, finance, percentage of the vote and electorate organisational structure for every electorate in the country.

The Douglas plan has five principal elements:

- The establishment of priorities among seats, which will be reviewed in the light of organisational performance, and the identification of seats with special needs.
- The setting up of a tight electorate organisation, with a pyramidal structure to diffuse responsibility, goal-oriented fund-raising and budgets and a regular reporting system on canvassing so that a national picture of support can be built up; and with a timetable by which to achieve the designated goals.
- Wide dissemination of key points from the leader's rallies through the party organisation to maximise word-of-mouth communication.
- A crash programme of fund-raising nationally from members early next year.
- Detailed electorate studies to identify potential points for exploitation.

Whether it will work has yet to be seen. Much will depend on how well the top brass sell it to electorates when they go round over the coming months.

But it is better than the old hit-and-miss leave-it-to-the-locals style of uneven "organisation" that has bedevilled Labour in the past.

Economics

Mexico holds promise for increasing trade

Economics Correspondent

MEXICO could become a major market for New Zealand's exports in the future. And, if Mexico balances up its purchases of our products with trade, the potential exists for large gains in the standard of living of both countries.

The first seeds for the development of a trading relationship with Mexico have been cultivated by Prime Minister Rob Muldoon. An economic mission to Mexico City in early October put some lucrative trade deals in sight and talks began for developing a number of joint venture projects.

While Muldoon was having two sessions with Mexican President, Jose Lopez Portillo, 17 New Zealand business people and export industry leaders on the mission met with their counterparts on the powerful Mexican International Businessmen's Association.

Any deals struck could be the small beginnings of a growing relationship between the two countries.

Mexico is in the middle of an oil bonanza which is rapidly overtaking the high expectations the country had a few years ago. The rapid growth of the industry provides the opportunity for Mexico to develop its basic industries and there is potential to lift its rural poor out of a stark poverty.

To date, Mexico has the world's sixth largest proven oil reserves — at 40 billion barrels against Saudi Arabia's 167 billion barrels. In just two years, Mexico's known reserves have grown from 28 billion barrels to 40 billion barrels. And only about 10 per cent of the 2.5 million square kilometres of sedimentary land which could hold oil has been investigated. At the current rate of oil discovery, Mexico could easily surpass Saudi Arabia's lead with potential reserves estimated at over 300 billion barrels.

President Portillo and his economic advisers . conscious that there are dangers in producing and selling too much oil. They do not want to deplete their reserves to the advantage of other nations. They have programmed their industrial development plans so that oil, a non-renewable resource, can be converted into a permanent source of wealth and employment.

A ceiling of 2.25 million barrels of daily production has been set. Taking office in December 1976, Portillo said that this ceiling, likely to be reached this year, will not be breached during his presidency.

At that time, few could predict that known reserves would increase at such a rapid pace. Without announcing a change to the ceiling, observers think Portillo will let oil production slowly creep up to 4 million barrels a day by the mid-1980s. At this level, Mexico's exports are likely to become second only to Saudi Arabia's.

Oil export revenues should easily surpass $10 billion this year.

Portillo's worry is that oil revenue will boost prices in Mexico before local industry has a chance to get off the ground to provide jobs for the massive numbers of unemployed. While unemployment is officially listed at 19 per cent — it is running at about 30 per cent in some areas — unofficial estimates put unemployment for the country at over half the workforce.

To deal with this problem, Mexican governments have tacitly encouraged the annual flight of around 500,000 illegal immigrants to the United States. More constructively, Portillo has introduced "alliance for production", a heavily funded, 10 point investment programme aimed at involving both government and private industry, that is supposed to create 600,000 new jobs by 1984. He is counting on oil to propel industrialisation and recognises that "with oil, we have our first historic opportunity, and it may be our only chance, to solve our economic and social problems".

The good news for New Zealand is that these industrialisation programmes could bring rapid growth in the real incomes of Mexicans. Already, there have been significant rises of around 3 per cent, for those lucky enough to have jobs.

Experience with developing markets has shown that as real incomes rise for relatively impoverished people, their propensity to consume agricultural products rises at an even faster rate. So, if Portillo is successful in managing oil production to improve the standard of living of his poor citizens, Mexico's demand for agricultural products could grow rapidly.

In 1980, Mexico's population stood at just under 67 million. While the annual rate of population growth has fallen during the 1970s, it still stands at nearly 3 per cent. Statisticians expect Mexico's population to reach 132 million by the year 2000. This population could consume a considerable amount of beef, lamb, butter, cheese and milk — the sorts of products New Zealand produces so efficiently.

New Zealand's trade with Mexico is already gaining rapidly. Our exports jumped from $4.7 million in 1978/79 to $21.7 million in 1979/80.

Dairy products make up the bulk of our exports. Last year, the Dairy Board sold 10,000 tonnes of skim milk powder and 1000 tonnes of anhydrous milkfat to the Mexicans, who are the world's largest milk recombiners. Our other exports include wool, hides and a small amount of meat.

According to Don Walker, a senior official in New Zealand's Washington Embassy, with responsibility for Mexican affairs, Mexico is just beginning to discover what we have to offer.

On the recent economic mission, Mexican officials were interested in our agricultural, forestry and geothermal energy technology. Mexico's National Council for Science and Technology is looking for co-operation in scientific and technological exchange. Programmes have already been negotiated with France, West Germany, Sweden, Canada and Australia. The programmes include exchange of scientists, students and technicians and the pursuit of joint research projects.

Most (about 65 per cent) of our goods enter Mexico duty free, or at a preferential duty rate. The potential for sale of our agriculture products is great — only about 15 per cent of Mexico's land is suitable for cultivation. Most of this is farmed by huge agrarian businesses that produce tomatoes, eggplants, chick peas, strawberries and asparagus for the lucrative United States export market, rather than producing staples for the less profitable domestic market.

While our exports to Mexico have jumped ahead, our imports of Mexican products are still below $2 million a year. It could be to our benefit if Mexico made up this trade deficit by selling us some of its oil.

But a production ceiling of 2.25 million barrels a day means that Mexico's overseas sales are fully committed.

A more likely import prospect is phosphate to use in fertiliser production. New discoveries of phosphate in Baja, California are likely to come on tap in time to augment dwindling phosphate supplies from Ocean and Christmas Islands.

Basic statistics

	Mexico	New Zealand
Land area	1,972,547sq km	268,704sq km
Population — 1980	66.94 million	3.15 million
— 2000	132 million	3.64 million
Annual population growth	2.9 per cent	0.1 per cent
GNP (1978)	$92 billion	$18 billion
Inflation	37 per cent	16 per cent
Economic growth rate (1980)	8 per cent	½ per cent
Unemployment (official)	19 per cent	4 per cent
Trade from Mexico to New Zealand:		$1.6 million (1979/80)
Trade from New Zealand to Mexico:		$21.7 million (1979/80)

Currency: 1 Mexican Peso = 4.5 cents New Zealand
1 NZ dollar = 22 Pesos

Bill to provide for greater level of credit disclosure

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

THE Statues Revision Committee starts consideration of the Credit Contracts Bill today.

The bill revises the law relating to the provision of credit, repeals the 1980 Moneylenders Act and provides for a greater level of disclosure in credit contracts was the case under the Act.

The Contracts and Commercial Law Reform Committee produced a report in February 1977 urging a complete reform of the law in this area. Such is the speed with which politicians and bureaucrats work, that the Statutes Revision Committee is considering a bill in October 1980.

The Reform Committee, under the chairmanship of Colin Patterson (he who has gone to higher places), considered the Moneylenders Act was out of date, but took the view that there should still be comprehensive legislation controlling credit contracts.

The bill is designed to come into effect on August 1 1981, but the Statutes Revision Committee is likely to receive submissions that the date be postponed until some time in 1982.

The bill has to be considered, reported back to Parliament, passed as an Act, possibly with amendments, and reprinted. That process will probably take until early 1981, with the intervention of the great New Zealand close-down in December and January.

Then the Government has to prepare regulations fleshing out the legislation bones.

The finance industry will draw up new documents to comply with the amended law, get them worked over by their various legal advisers, printed, and then circulated to staff. The companies' staff will require retraining in the law and documentation, and there will probably be a problem with existing computer programs.

The bill has important implications for the enormous credit industry. The High Court is given power to reopen any credit contract and to make orders in respect of the contract if it considers the contract is "oppressive", or that a creditor is exercising rights in an oppressive manner.

A contract is "oppressive" if it is "oppressive" (amazing how they define words), "harsh, unjustly burdensome, unconscionable, or in contravention of acceptable standards of fair dealing".

The bill will affect several commercial practices which have been operating for years, and are well understood in the marketplace.

The first is the position of bank and finance house loans secured by a debenture or mortgage over the business. Under those "credit contracts", the lender has the right to move in immediately the debtor defaults.

The bill provides, in effect, that the debenture holder will have to wait 30 days before taking action, although the court has power to waive an "oppressive" presumption if it is proved not to be oppressive.

The essence of receivership is that one has to move quickly. Waiting for 30 days can see the security erode to nothing, assuming there is something to salvage at the point of first default, so the court may willingly exercise that power.

Submissions will probably be made on this point by the various organisations and individual businesses involved in the provision of credit.

The bill has a provision which, if included in the final legislation, will affect the commercial bill market. Clause 48 amends the Bills of Exchange Act, 1908, by adding a new subsection to section 29 of that Act. It reads: "Notwithstanding any other provision of this Act or any rule of law, a holder who has taken a bill drawn as part of, or pursuant to, a credit contract shall not be a holder in due course of the bill in relation to the debtor under the contract, unless the holder proves that at the time he took the bill he was unaware of its having been drawn as part of, or pursuant to, such a contract."

Many accommodation bill lines issued in this country have a document which is the basis for which the bill is issued, and that document falls within the definition of a "credit contract".

The consequential amendment to the Bills of Exchange Act means that every buyer of a bill is expected to know whether the original document is an "oppressive contract", for example. The provision alters the market practice, where people work on the basis that they are dealing with reputable organisations, and if they have any doubts about that, or an organisation's financial strength, the rate and the buying and selling terms of the bill reflect the doubts.

This amendment is based on a majority view of the Reform Committee, which felt that if the transferee of a bill or note was unable to discharge the onus of "proving that he was unaware that the bill was issued under a credit transaction, the drawer should be allowed to resist an action on the bill or note on the ground of the unconscionability of the credit transaction". One member opposed the view.

The Credit Contracts Bill was introduced to Parliament three weeks ago, and, while generally good law, its 49 sections deal with complicated matters in the finance field, although based mainly on the Reform Committee's report.

Because the report has been available since 1977 it may be thought that the short time space between the bill's publication and hearing submissions is unimportant, but the bill spells out the detail, and needs careful examination. If a draft bill was either attached to the report, or circulated earlier, a lot of concentrated hard work would have been saved in recent weeks.

Sharemarket statis break as buyers push yielders

THE sharemarket broke out of its static phase last week, as buyers pushed up high yielding leaders and second line companies.

Turnover has been comparatively low, so the upward trend may result partly from a scrip shortage.

The demand for additional equity capital is increasing, with several companies announcing cash issues. They will draw a sizeable amount from investors until Christmas.

The Fletcher issue is the year's big one, but Goodman Group and Golden Bay Cement are also approaching shareholders for ordinary capital and other companies are calling for specified preference shares.

Goodman's one for four issue at a premium of $1 is attractive. Existing shareholders will obtain their new shares at a dividend yield of 10.5 per cent, assuming that the increase in interim dividend means an annual payment of 21 cents a share.

Last week the shares sold at $2.65, and therefore have a theoretical ex rights price of $2.52. The rights value is 53c before taking off the dividend difference of 15c, the latter being the 9c interim dividend and one half of the final for the year to March 1981.

The dividend yield at $2.52 is 8.33 per cent, similar to that available on the company's previous cash issue.

Golden Bay Cement is in the unfortunate situation of issuing new shares at par when the market price is below par. The offer to shareholders arises from the reorganisation of Golden Bay and Wilsons (NZ) Portland Cement.

Golden Bay's private shareholders are being asked to contribute about $2 million of the $12.5 million equity content in the deal. (Total investment will be about $35 million.)

The company has a safeguard if shareholders decline the offer, because Blue Circle Industries, which will invest more than $9 million in the project, has agreed to take up any shortfall in the offer.

A special meeting of Golden Bay shareholders last week heard an optimistic medium term forecast from chairman Alex Paterson, but analysis of his comments shows that the cement industry is unlikely to enjoy real growth for some years.

Paterson said the combined tax paid profits of the enlarged Golden Bay group "are expected to continue to about the present level of $3 million through to the end of 1981. During that period the company expects to maintain the present annual dividend of 12 per cent. But we are looking towards doubling our profits when the converted Portland plant comes on stream in 1982."

If the company earns $3 million in each of the two years ended December 1980 and 1981, the return on each 50c share will be 6.34c, based on the new capital of $23.6 million. A 12 per cent dividend (6c a share) would be covered 1.05 times.

If the share price stays around 50c, the price/earnings multiple would be 7.88. That is a hefty multiple for a company with a dividend cover of 1.05.

At the end of 1982, which is 26 months down the track, the company expects to earn 12.68c a share, and would then have a dividend cover of 2.11. A cover of at least 2 is usually considered the minimum for any industrial group, given the impact of inflation on the business, and the need to ploughback profit just to maintain existing momentum.

Those figures illustrate the need to proceed with the proposed reorganisation. Once again we see the private sector "restructuring" part of the economy, while the Government and officials write reports, hold hearings, make "policy decisions" and spend a long time on matters which individual companies decide in weeks or months.

A "backgrounder" issued at last week's Golden Bay meeting said that the decline in cement consumption to around 745,000 tonnes in 1980 represents less than 50 per cent utilisation of capital intensive plant capacity.

"Company predictions of demand during the later part of this decade show demand should reach levels of about 900,000 tonnes per year." If 745,000 tonnes is 50 per cent of capacity, 900,000 tonnes is 60 per cent (assuming total industry capacity of 1.5 million tonnes a year).

Cement is a vital industry, and it is essential that its profitability be maintained even in recessionary times. The Golden Bay proposal has merit, but the shareholders will have to wait for better times.

The search for high yielding companies with tax free dividends resulted in several price adjustments last week, but the big movement came from Tasman. The shares jumped 30c in two days on low turnover, because there are few shares available to the general public. The company is due to report soon for the six months to September and is expected to show a profit between $20 million and $25 million.

That will keep the market, Fletcher Holdings, and Challenge Corporation happy.

NOTE: The writer neither owns, nor has a beneficial in any of the securities discussed here.

Analysing accounts : Montana Wines

MONTANA Wines Ltd should include a statement of its carried forward taxation benefits in the annual report.

Last year the company said it expected 1980 net profit to be in line with the 1979 figure after allowance for "some tax liability".

The 1980 report, released last week, shows an increase of $971,775 (27.15 per cent) to $4,473,999, both figures before extraordinary items. The company has no tax liability.

Under "taxation" in the notes to the accounts, the group says: "In view of existing taxation incentives together with tax losses brought forward, no taxation is currently payable on the group's profit for the year.

"The group does not apply tax effect accounting as it is considered, having regard to planned future operations, and in the absence of changes in tax legislation, the benefit of tax timing differences will continue in the foreseeable future."

What is the amount involved in the incentives and carried forward losses? How long are they likely to last on the basis of the amount at June 30 1980?

The company probably thinks that net profit is the key figure for report readers, but they need more information if they are thinking of taking, or increasing, an investment stake.

The report shows the company earned 37.3c for each 50c share last year, compared with 29.2c in 1979.

The shares sold at $1.66 last week, and at that price they are 4.45 times historic earnings – hardly an excessive multiple.

But, if Montana moves into a tax situation, net profit will come under pressure, and the multiple will rise. Investors need some information to assess the likely future tax liability.

A theoretical example shows the point. Assuming Montana had a 45 per cent tax liability on operating profit in 1979-80, net profit before an extraordinary exchange loss would have been $2,461,000 and after deduction of the exchange loss, it would have been $2,379,250.

That is an earning rate of 19.82c on the 50c units, and at $1.66 the price earnings multiple rises to 8.37, a rather different base from which to make an investment decision.

The company will take time to reach a 45 per cent tax liability, even when it does contribute to Inland Revenue, but shareholders and potential investors need an indication of when that may be.

A nil tax liability also assists the company to finance the business, on the basis of the relationship between cash flow (net cash profit from all sources plus depreciation) to total assets. This year the relationship is 18.52 per cent, compared with 21.68 per cent in 1979, the decline due mainly to higher investment in stock arising from the volume of the 1980 vintage, and additional investment in plant, fittings and vehicles.

If a 45 per cent tax liability is applied to the operating profit, the relationship of cash flow to total assets drops to 11.17 per cent, compared with 9.82 per cent in 1979. The change comes from higher depreciation in the June 1980 year (increased from $394,951 to $682,781, both figures net of amounts capitalised to vineyard development).

The returns are still good after applying a full corporate tax liability, but calculating them shows the impact of taxation.

The rest of the report is informative, including a costs breakdown which shows a decline in the proportion of the sales dollar going to materials "and other manufacturing costs", and to salaries and wages. "Operating costs" increased slightly as a proportion of the sales dollar, from 19.8 per cent to 20.3 per cent. The decline in the manufacturing and wages costs relates to a 20 per cent rise in sales volume (the dollar sales increase was 23 per cent, compared with a rise of 20.4 per cent in total costs before striking operating profit).

Montana's substantial investment over the years in plant, vineyards and people is paying off in higher productivity from the facilities, as the company harvests larger quantities of grapes and gets greater throughput in its manufacturing and maturing plant.

A rise in stocks matched the year's sales volume increase, with the company having to increase its short term advances by $1.1 million, and bank overdraft by $373,000, to cope with a $1.3 million jump in

Sir Geoffrey Roberts . . . tax questions

stock value of maturing wine and a $554,000 movement in bottled wine stock.

Chairman, Sir Geoffrey Roberts, explains the movements adequately in his review with the accounts, but he could have said more about the future for taxation, apart from: "A provision for taxation of $300,000 was made in the accounts for the six months ended 31 December, 1979. However, as a result of taxation incentives and other adjustments made at year end no tax is payable on profits for the year under review."

O'Brien on business

Bank finds right aggregates for monetary targets

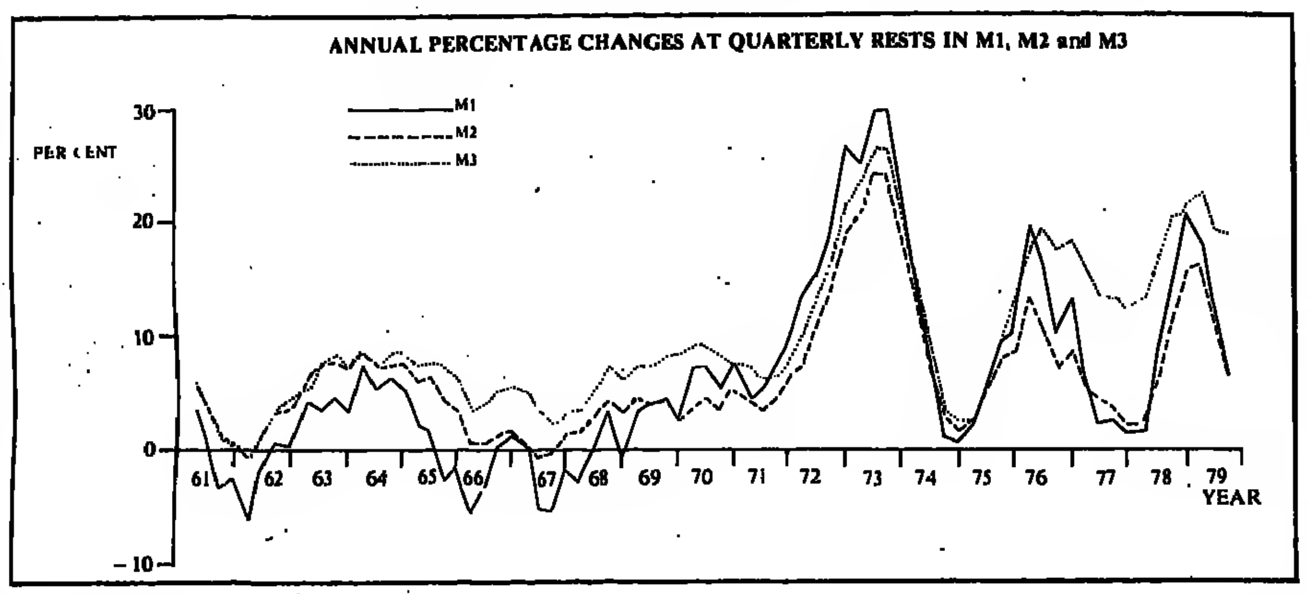
A RESERVE Bank research paper has concluded that the M1 and M2 monetary aggregates are the most appropriate monetary target variables for economic policy in New Zealand.

The paper, *Monetary Targets: A Comparison of Some Alternative Aggregates* by G. H. Spencer, assisted by economists from the Reserve Bank and other organisations, considers a range of alternative money and credit aggregates in New Zealand, examining the potential of each in terms of three criteria:

- Whether the individual aggregates can be controlled, and whether stated monetary targets (as existed for private sector credit expansion in 1978-79) can be achieved through changes in instruments of policy;
- Whether the particular aggregate can be related to the end policy targets (output, employment, prices, and the balance of payments and so on). This criterion is the basis of the "monetarist" school, which sees "disturbances in money markets" as having direct effects on prices and quantities in "real goods markets which do not necessarily rely on interest rates for their transmission";
- Whether the public announcement of monetary targets will help to control the particular aggregate and relate movements in the aggregates to the final policy objectives.

(The statement of the three criteria is *NBR's* suummary.)

ANNUAL PERCENTAGE CHANGES AT QUARTERLY RESTS IN M1, M2 and M3



The report is based on a statistical analysis, between 1960 and 1979, of the commonly used monetary aggregates (M1, M2, M3), two well-known credit aggregates (total private sector credit, and total domestic credit), and five other aggregates, some of which may be new to those who are not economists.

They include "LPT" (total trading bank lending to the private sector); "DCI" (Total Domestic Credit adjusted to include overseas claims on the Government); "MB" (Monetary base or high powered money, which is cash in the hands of the public plus reserve assets held by trading banks); "M3B" (broadly defined money base, which is MB plus reserve assets held by other M3 institutions — the savings banks, finance houses, stock and station companies and official money market dealers); and "M1L" (M1 plus unexercised trading bank overdraft limits).

"M1" is the narrowly defined money supply, comprising notes and coin, demand deposits at trading banks, and cheque accounts at savings banks, "M2" is M1 plus all demand deposits at trading banks, savings banks, and the range of other institutions included in M3. The M3 aggregate is M2 plus time deposits at all those institutions, the banks, and the savings banks.

The conclusions emphasise that there is more to monetary aggregates and their control than the mere acceptance of any one as the key to monetary policy and then to other aspects of economic management.

The paper concludes: "While it appears that either M1 and/or M2 targets would be suitable focal points for the implementation of monetary policy, the interdependencies between all of the monetary aggregates should be re-emphasised. Because of this interdependence, it is important that the monetary authorities should continue to monitor a range of monetary aggregates in addition to any announced targets.

"Particular attention should perhaps be drawn to the close relationship which was observed between private credit expansion and lagged changes in the money base. Notwithstanding the effects of interest rates on relative shifts between aggregates, monetary base fluctuations would appear to foreshadow movements in all of the major monetary aggregates and consequently it is appropriate that a money base measure should play an important, although perhaps an in-house role, in the policy formulation process".

The arguments, and analysis of unfamiliar economic indicators may seem esoteric to people who make "practical" decisions daily in the private sector, but the analysis has practical relevance to private sector interest rates.

The paper seems to say that M1 and M2 are the best "controllable" aggregates, because monetary policy has a direct impact on their growth when the Government sets interest rates on its securities. Since M1 and M2 comprise cash and low yielding demand deposits, movements in government interest rates can cause switches from M1 and M2 to the fixed deposits in M3.

Assuming the Government raises the interest rate on its securities, this may have little effect on M3 growth, if the M3 institutions also raise their rates and funds flow from M1 and M2 to M3, rather than to the Government, unless the captive market is forced to invest more in Government securities.

(It should be pointed out that the conclusion just stated is *NBR's* extension of the paper's conclusion; it is not stated as such in the paper, and our extension assumes no massive cut back in demand for credit if interest rates rise.)

Although it was outside the paper's brief, it would be interesting to see an examination of the inflation/money supply/interest rate "chicken and egg" process.

There is obviously some connection between these three economic indicators, but, given the state of the debate between monetarists, "neo-monetarists" (assuming we now have some of them) and other economists, it may be too soon to hope for anything more than a tentative statement.

The paper can be obtained from the Reserve Bank. If you are not well up on economics it would be better to skip the tables, although the paper (in the words of chief economist Rod Deane's preface) is "keeping to a minimum the econometric detail".

Stock Exchange weekly review

	Last sale	Week's high	Week's low	Turnover
AIRVDRE,50C	130	...	...	0
I.5A PR	...	...	...	0
4A PR	...	...	...	0
AJAA S.E.N.	295	205	205	1000
A.J.WHITE	125	...	...	0
11.5E CONV PR	105	...	...	0
ALCAN,50C	163	167	165	6500
A.N.I.	220	230	228	11400
ALLIANCE,50C	50	51	15	11100
122 CONV PR	48	48	48	200
ALLFLEN	112	112	108	24000
ALLIED FARMERS	295	295	200	9400
12E CONV PR	285	205	255	600
ALLOY STEEL	210	210	210	1600
A.N.OISLET, 50C	205	205	115	5900
ANFDL REI.,50C	240	240	250	1100
A.SEAVEN	122	125	122	9400
11A CONV N1A	115	...	...	0
11.5A CONV AR	100	100	100	100
ANSAS GROUN	115	115	115	1500
5-6.5A PR	45	...	...	0
12A CONV PR	95	95	05	1300
ANI SANZING GROUP	235	235	230	30800
A.VAISH1	560	...	...	0
"A" 6-I.5E PR	00	...	...	0
"B" 5-65 PR	00	...	...	0
A.BASNETT	200	200	200	300
A.ELLIS	25	25	25	11400
ANTHVZ YAIRS	300	380	365	5200
12I CONV PR	140	140	140	1200
ASHBI OEBSN	290	300	205	10900
A.B.CABLER	205	205	205	2300
AILAS, 50C	30	32	30	13000
102 CONV PR	32	32	32	7800
AUCE.BAR	400	400	400	1150
AOBORA,50C	190	190	175	128430
10E CONV PR	250	250	250	19900
1AR CONV N15	135	135	135	500
CONV NTH *0A	162	162	162	57800
A.C.I.	210	...	...	0
AUTOCRAT HOLDS	103	165	165	600
SAILLIE,50C	50	58	58	2600
SALLIER,60C	75	75	72	26000
112 CONV PR	00	01	60	1600
BANK NSV	405	405	400	2550
BEACH PETR.,50C	210	...	...	0
SING HARRIS, 50C	67	67	66	14200
S.N.I. FINANCE	275	275	215	3000
BRISREVALE,50C	110	175	170	14800
BRIERLEY, 50C	390	303	385	36000
12.55 SPEC PR	...	...	...	0
BON, 50C	52	52	52	7100
B.N.A., 100C	2000	2060	2010	1880
BROTHER, 50C	70	70	70	200
BUNTING,50C	90	00	90	11100
BURNES CAY.,50C	160	...	...	0
C.P.O.	222	235	222	14300
7-95 "A" PS	...	...	...	0
5% "B" PS	...	...	...	0
10E CONV PR	195	195	192	2400
C.F.C.A.	205	201	205	500
112 CONV PR	160	...	...	0
C.F.N.	250	250	250	19200
17A CONV PR	170	170	170	2100
CANT.FLOUR	220	...	...	0
CANT.TIMBER	315	315	310	8700
12% CONV DEB	290	290	290	300
CAPITAL RADIO, 25C	145	...	...	0
CAPITAL LIFE,50C	70	...	...	0
CARSONIC ICE	275	...	...	0
CARTER HOLT	338	338	315	35300
CESANCO	201	201	198	20900
122 CONV PR	104	104	103	1900
CHALLENGE	312	312	307	59000
18E CON PREF	316	316	310	11400
CUZNERI	150	150	150	2400
CH'CH.GAS	200	...	...	0
CH'CH PRESS	275	275	215	500
CITY REALTIES,10C	36	36	36	1000
CLISE GROUP	90	98	98	1200
12E CONV AN	90	...	...	0
COLLINGWOOD,50C	35	35	55	6300
15E CONV PR	34	...	...	0
CSL.ED1OB	105	105	105	5500
CON N7B 10%	135	...	...	0
COLTER VATGON	120	120	115	4000
COBALCO,50C	675	675	615	250
CONRAND	140	147	140	10000
CON.BANK AN87	320	...	...	0
COE.BETAL,5SC	172	172	160	9500
CON.SILVER,4C	15	15	14	51600
CODES NINE	147	140	145	34400
COSY-HRIGH7	114	114	113	2400
122 CONV PR	95	...	...	0
CROWN CONSOLIDATED	190	190	190	5000
112 CONV AN	180	100	180	8500
C.A.R	1000	1000	1000	6300
CICLONE,5SC	240	...	...	0
SALSEIYIN.A1	225	230	225	5500
AILNOPR N KING,50C	60	62	60	9100
REANER	130	...	...	0
A.I.C	158	160	158	15000
122 CONV PR	125	125	125	300
AIBSVSLL & PANLGEO	180	100	100	700
A.BCL NALLACE,50C	102	102	100	8000
121 CONV N78 *79	...	...	...	0
115 N78 *82	97	90	91	900
84 CONV N15	76	76	76	7100
A.E.B.4	60	...	...	0
SON.BBEN.,50C	75	75	14	51100
112 CONV PR	46	47	45	7600
SONASH7*5	255	255	255	2300
122 CONV PR	315	...	...	0
S.A.R.,50C	85	05	85	100
DUNLOP (NZ)	350	350	540	15100
4.55 PR	45	...	...	0
ESSE11	125	...	...	0
ESOS,50C	95	97	95	2600
I L'SIBZN.50C	220	225	220	500
EPPFOR PINF1,1CC	730	730	619	4100
INDESVOUR	138	142	158	1800
F.AOIES	160	160	160	500
INDRA PLEA NT	95	93	03	1100
F.Y.C.,50C	103	103	101	11800
112 CONV PR	A0	00	E0	11100
F.RAIMAY,50C	66	...	...	0
FILTLR,50C	146	146	13A	5697000
12 PR	41	...	...	0
FIRESTONE NZ	123	120	120	2100
FISHER & PAYKEL	195	195	104	13900
FLETCHER	403	405	403	90150
152 CONV PR	108	108	100	1700
FOUNTAIN CORP	125	...	...	0
FREIGHTWAYS, 50C	165	165	180	34100
16A CONV PR	95	95	93	1100
GEAR	A0	02	00	1300
11.5% CONV PR	65	65	65	1400
GEN.FINANCE	200	...	...	0
G.CDUN7	130	130	130	1300
G.J.COLES,5C	277	...	...	0
COLDEN BAT,50C	47	47	47	10300
GODFREY GROUP	265	265	260	41090
1A2 CONV PR	195	195	195	7100
GROSVENOR PROPS, 25C	45	45	45	300

	Last sale	Week's high	Week's low	Turnover
HALLENSTEIN	240	240	230	5000
HANRAEI ENTERPRIRES,25C	170	170	170	11000
HAVEINS,50C	57	57	56	12600
6.52 PP	...	...	...	0
H.B. FARMERS	230	230	222	1600
13E CONV PR	155	155	160	500
HATWRIGHTS 5 PREF	68	...	...	0
HEALING	316	511	315	70700
10A DEB	...	...	...	0
12A CONV PR	300	...	...	0
H.POLLARD	308	510	500	10100
10A CONV PR	190	100	100	3700
HENRY BERRY,50C	140	152	148	3500
10% DEPS	235	...	...	0
HOOKER,50C	73	...	...	0
HUME INDUSTRIES	115	...	...	0
5-1.5% PT PR	40	...	...	0
105 CONV REDB	111	...	...	0
I.C.I.(AUST)	155	...	...	0
I.C.I.(NZ)	102	102	102	5300
IND BROADCASTING	135	155	135	500
INDEPENDENT NEWS	108	165	165	0300
INB.CHEM,50C	175	...	...	0
INTERNATIONAL NI,50C	...	...	...	0
A.N.ODV,50C	240	245	240	15300
JAMES AVIATION	325	...	...	0
JAMES SMITH 50C	08	05	85	1000
14A CONV PR	55	55	55	3000
0000000000000000000000				0
J.E. WATSON	300	380	300	1000
1A5 CONV PR	A20	...	...	0
J.SUENS	100	180	11A	3800
12A CONV PR	175	180	115	900
JOHN EDMOND	175	115	170	1110S
J.WEBSTER 50C	A6	A6	A5	2600
12A CONV PR	40	...	...	0
J.MERCER INDS., 200C	70	...	...	0
5.25-6.25A PR	...	...	...	0
J.NATHAN	1A0	...	...	0
8.5A PR	125	...	...	0
11A CONV DEBN	1A0	...	...	0
J.RAILRAY	220	220	220	900
12.55 CONV PR	130	...	...	0
KIARES-OATINA, 200C	210	...	...	0
L.V.RUDKIN,50C	106	110	106	16400
122 CONV PR	05	81	85	5000
LANES,50C	A3	A3	43	5800
L.D.NATHAN	187	107	180	38200
9.52 CONV DEBR	105	161	165	1200
CONV PR	16A	170	165	7700
LETLAND,50C	112	112	112	200
LION, 50C	103	105	90	83900
102 CONV PR	92	92	88	11900
12% CONV PR	81	81	79	7200
L.EN.DIL,50C	57	37	55	10700
LNSTCRO CO	385	555	385	200
MAINZEAL CORP,50C	122	122	120	2400
15A CONV PR	70	70	50	2100
MAIR,50C	194	200	194	600
11% CONV PR	152	...	...	0
MANAWATU,50C	110	...	...	0
MANTHEL	155	155	150	700
MARAC	27A	275	265	2100
MCALPINE,50C	77	70	17	4500
MCKECHNIE	218	218	218	6000
MEDLAND	220	2A0	215	10600
115 CONV PR	185	190	185	5600
MIN.RESOURCES,20C	00	95	00	19000
0000000000000000000000000				0
N.O'BRIEN,50C	70	70	70	600
125 CONV PR	AB	50	50	2400
MONTANA,50C	105	160	160	26200
N-P.I.N.	195	195	195	2600
115 CONV N15	200	...	...	0
13% CONV PR	3	...	...	0
MOTOR HOLDN.,50C	140	145	159	27100
12.55 PR	...	...	...	0
MOTOR TRAD.,50C	62	62	60	1300
5-65 PR	46	...	...	0
11.5% CONV PR	50	50	50	600
MGZ COOPN,50C	95	100	93	10200
12% CONV PR	100	100	100	1300
MT.COOK	160	162	160	480S
N.Z.N.HOLDN.,50C	675	675	673	600
NAT.INDCB, 50C	192	200	192	3300
NATIONAL TRADING	...	...	...	0
85 AR	...	...	...	0
NAYLOR	145	145	143	100
5% PR	...	...	...	0
NBIL HOLDINGS, 50C	31	31	20	65300
N.Z.CEMENT	102	106	102	5600
N.Z.F.C.,50C	106	108	104	0900
115 CONV PR	80	00	80	100
N.Z.FARM ENRT.	166	166	165	26200
12A CONV PR	136	...	...	0
14E CONV PR	135	...	...	0
N.A.A.P.	365	565	350	77200
N.Z.I.G.	340	340	545	2800
5.5E PR	40	...	...	0
N.Z.Z.	240	240	240	95900
105 CONV PR	165	165	165	2200
N.Z.LAND,50C	20	20	20	200
N.A.LEATHEOR	58	62	50	2250
N.Z.MOTOR BODIES	05	05	05	12600
N.I.M.C	155	160	152	25000
N.Z.NEWS	210	210	210	12200
N.Z.PETROL.50C	525	525	490	900
N.I.REFINING	103	103	99	75900
N.Z.STEEL	186	181	186	14100
N.Z.UNITED	500	...	...	0
NIVEN INDUSTRIES	105	...	...	0
NUHAKA	215	215	215	1500
OOLINA, 50C	79	60	70	40500
"A" 6% PR	20	...	...	S
12.55 CONV PR	60	60	58	3100
"B" 13% CONV PR	60	...	...	0
OPTICAL HOLDINGS, 50C	57	60	57	4700
125 CONV PR	40	...	...	0
OTAGO PRESS & PROD	115	115	113	300
PAVROC HOLDINGS	110	110	110	600
P.D.L.HOLDS,50C	150	152	150	7500
PERM.INVEST	85	...	...	0
PHILLIPPS 5 IMPEY,50C	130	130	130	5300
PRESTIGE,50C	72	72	10	0000
PRINT 5 PACKAGING	212	212	200	3400
11.5% CONV PR	175	175	170	1800
PROGRESSIVE	595	595	595	14300
12A CONV PR	800	...	...	0
PROP.SECURITIES,50C	155	155	155	2900
PRUD.BUILDING	102	102	100	3100
RUILL MORRIS,50C	100	100	100	800
122 CONV PR	55	...	...	0
RADIO AVON, 25C	175	175	173	300
RADIO OTAGO	130	...	...	0
REGINA	100	100	100	1000
P 5 W NEILACT	105	190	105	3900
PEID FARMERS	255	255	A55	2400
PEPCOINAI,50C	77	77	75	10800
10A CONV DEBS	92	...	...	0
REVERTEX	310	310	310	100
REX CONSOL.	240	240	240	7100
RHEEM,50C	145	145	145	1300
RICKSTAN,50C	242	...	...	0

	Last sale	Week's high	Week's low	Turnover
ROTHMANS,80C	110	118	115	15500
P.H.SAUNDERS	310	...	...	0
SALMOND	190	...	...	0
SANARRO	340	340	325	1300
PP	135	...	...	0
12A CONV PR	260	260	250	500
12% "B" CONV PR	235	235	235	100
SCHOFIELD	140	...	...	0
SCOTT,50C	00	60	58	11100
1A.5A CONV PR	A0	...	...	0
BELOY	220	220	120	1100
SHELLERNP,50C	302	302	30A	4000
5-1.5% PR	30	30	30	1000
SMETH BIOLAB,50C	163	163	105	9300
12E CONV PR	137	...	...	0
SMATHS C.M.	124	124	123	4000
STH. BRITISH	282	...	...	0
STHN. CROSS HOTEL	155	155	150	1000
STHN CROSS MANO.,20C	45	A6	42	52400
S.F.N.	207	201	205	10000
SPBODING, 50C	52	52	51	6700
12A CONV PR	64	0A	04	200
STEEL & TUBE, 50C	101	102	100	14900
SUCKLIEN	160	160	160	100
TASMAN, 50C	310	300	343	25200
REO PR	...	...	...	0
PART PR	...	...	...	0
TATLOBS	120	120	120	800
12A CONV PR	112	112	112	000
TELTHERM	165	165	165	34000
125 CONV PR	120	120	120	4000
T J EDMONDS	295	295	295	9100
TOLLEY	112	112	107	0900
TONR FIJI	55	...	...	0
TRANS AAMBURTON, 50C	48	...	...	0
TNL GROUP, 50C	04	94	91	56200
10I CONV PR	70	70	68	4300
12A CONV PR	12	72	10	5000
TRANS CNTH. CANT.)	95	05	05	1000
13.55 CONV PR	84	...	...	0
15A CONV PR	95	...	...	0
TRANSVISION	718	240	228	36900
N.O.C.	147	...	...	0
U.E.B.,50C	104	104	104	36600
6.5-7.5% PP	115	...	...	0
12A CONV PP	84	E4	84	1100
15% CONV PR	5H	58	54	1200
UNITED STEAM SHIP	82	...	...	0
5.55 PR	78	...	...	0
UNITED FLOG	100	100	109	100
UNITED PUBLISHING,50C	720	...	...	0
VACATION,50C	57	57	56	17300
12% CONV PP	50	56	50	2300
12.5% IONY PR	69	60	60	100
WAITAKI-NZP	193	197	192	47200
11.5% CONV PP	150	150	148	3400
12A DEPS	165	...	...	0
WALKER & HALL	450	450	450	400
WATTIE,50C	125	132	122	[illegible]
11.5% CONV PR	71	...	...	0
WELGAS	475	475	415	350
WILKINS & DAVIES	210	210	210	300
5.75-7.3% PR	50	...	...	0
N.JEIIENT	110	140	110	500
12A CONV PR	110	...	...	0
NILSON & HORTON	352	352	350	6300
WILSON DISTILLERS	08	...	...	0
WALSON NEILL	122	124	122	25500
12% CONV PR	160	160	160	100
WINSTONE,50C	67	69	66	89900
11% CONV PR	58	51	51	37200
N'NTHS INZ) PROPS, 200C	72	...	...	0
5.75A PR	68	68	68	200
N'WIDE AUST, 50C	239	...	...	0
VOPPALO	270	...	...	0
5-7.5A PR	100	...	...	0
N.R.CARPENTER,50C	254	...	...	0
N.GUTHERLAND	130	...	...	0

Primary industry

Power seekers cast net for hens, fowls and friends

by Rufus Wallingford

HIDDEN in a bill aimed at restructuring the administration of the egg industry is a blatant grab for more power.

The egg production side of the poultry industry is tightly controlled by two bodies – the Poultry Board and the Egg Marketing Authority.

If the Poultry Board Bill, which merges these two bodies, goes ahead as drafted, it could mean the quite separate chicken meat industry will also be subject to control by Wellington-based bureaucrats.

The key to the power grab lies in the definition of poultry: previously the legislation defined poultry as "hens and ducks not less than five months old" but under the new bill this has been changed to "any domestic fowls or domestic ducks *of any age*".

The difference is vital because fowls raised for egg production only come into lay around the five month mark; while meat chickens are ready for slaughter at five to six weeks.

Just to make sure there is no doubt about the matter, the new bill goes on to define poultry product as "any product produced by or derived from poultry including the meat or other parts of poultry, any eggs or egg product, or any laying bird".


Poultry products . . . come of age

And under the powers and functions of the proposed reconstituted board it is given specific and separate authority for eggs and its products, and poultry and its products.

Not only is there power to "assist, develop and promote efficiency in production, marketing and distribution of poultry and poultry products" the new board is also given ". . . all such powers as may be reasonably necessary to . . . devise, promote and carry out, by such means as commend themselves to the board, measures for the improvement in the methods of producing, marketing, and distributing poultry and poultry products in New Zealand and elsewhere".

Coming from a Government that has pledged itself to get rid of controls, the bill makes strange reading. Apart from hygiene requirements processing, the chicken meat industry lives or dies by its markets and has proved successful in expanding sales helped by rising prices for red meats.

In addition the present board/EMA has had questionable success in the field of marketing eggs and – according to some critics – has paid scant regard to enforcing quality standards.

Detailed provisions laid down for producers in the 1960s, did much to improve egg quality standards to consumers. Since the advent of the licensing of laying birds in 1970, they have been largely ignored.

The Consumers Institute carried out two surveys the two years ago checking the quality of eggs bought by from shops and farms and the results of each survey showed that eggs were not as fresh as they could and should have been.

Confirming this view, at a time when petrol prices loom large in consumer calculations are the number of people who drive to farms to buy eggs.

Casual inquiries show the on-farm purchases are motivated mainly by considerations of quality, with the additional benefit of a saving of a few cents a dozen being so much in second place.

A further irony lies in one of the personalities involved – Alfred James Woodthorpe Harvey, who is not only chairman of the poultry board/EMA, but also chairman of the board of Tenco – formerly a co-operative but now a wholly-owned subsidiary of Arthur Yates and Co.

The managing director of the rapidly expanding seed-based conglomerate, Phil Yates, has said: "Let us hope that before it is too late, we can return to a philosophy of minimum government intervention and involvement, and maximum competitive enterprise and self sufficiency" (*NBR*, August 11 1980).

How Harvey, as chairman of the producer board wanting almost total control over the chicken meat business will reconcile that position with the free-enterprise views of his boss remains to be seen.

It is no secret that Tenco's feed mill and associated chicken operation was one of the main attractions to Yates when it outbid Allied Farmers initial takeover price. The attraction of the stockfood mill has since been enhanced by Yates' purchase of Wilson poultry processor, Clinton Park.

The Yates involvement in chicken is relatively small – the major opposition will come from General Foods Poultry and Golden Coast.

The prospect of a major segment of the Wattie food empire meekly accepting direction and control from Wellington is as dim as the sun in a polar midwinter.

Merging the present authority and board makes sense; controls on egg production are accepted by the Government, but the powers proposed for the new board over any and every aspect of farming birds are much too awesome.

Law

Blueprint seeks rationalisation of consumer laws

by Jack Hodder

EARLIER this month, Lance Adams-Schneider, Trade and Industry Minister, released a report recommending a thorough rationalisation of commercial and consumer laws. The report, from the working party reviewing certain consumer and commercial legislation, is entitled *Proposals for a Selling Practices Act*, dated July 8 1980 (which means the Minister pondered it for three months) and represents over two years of work.

The report quickly makes the point that there is much "consumer legislation" about – and that there is a great need for its reduction, consolidation and simplification. *NBR* readers are unlikely to disagree.

In fact there are almost two separate generations of consumer laws. The earlier generation, represented by the Sale of Goods Act and legislation on weights and measures, may not have been seen as exclusively designed for consumer protection.

The later generation, dating from a time when New Zealanders still considered themselves affluent, is represented by the Consumer Council and Consumer Information Acts of 1969, the Layby Sales Act 1971 and the Unsolicited Goods and Services Act 1974.

In addition there are dozens of regulatory statutes which have a consumer protection aspect. (The report even refers to the restrictions on advertising by lawyers, although that cannot be regarded as a consumer protection matter without a leap of the imagination for which lawyers at least are ill-equipped.)

The long term legal blueprint for commerce and consumer transactions envisaged by the working party would comprise three major statutes:

- The Commerce Act focussing on competition and restrictive trade practices.
- A Selling Practices Act governing the rights and obligations in individual transaction; ultimately consolidating the Sale of Goods, Consumer Information, Door to Door Sales, Layby Sales, and Unsolicited Goods and Services Act;
- A Consumer Credit Act governing the credit aspects of such transactions; presumably consolidating the Hire Purchase Act and regulations and the Government's new Credit Contracts Bill.

The report warns against piecemeal, specific legislation and recognises that, with continual change in the marketplace, the law should not be too detailed but "should generally attempt to establish a broad environment within which fair trading will occur without undue interference".

Such an environment is seen as coming from voluntary codes of fair practice drawn up by the traders concerned in consultation with the Consumers' Institute.

The Consumers' Institute, handsomely cited as "an organisation which has avoided the temptation to build itself into an unwieldy bureaucratic body", was well represented in the working party's exercise with its director, Dick Smithies, a member, and deputy director, David Russell, earning a vote of thanks in the report.

The working party's short-term recommendation is for a Selling Practices Act which would:

- Replace the present Consumer Information, Merchandise Marks, and Wool Labelling Acts;
- Incorporate principles from Britain's Trade Descriptions Act;
- Update provisions for the labelling and marking of goods;
- Require judicial notice to be taken of Codes of Fair Trading;
- Allow aggrieved individual consumers to "take legal action in pursuit of their rights".

In releasing the report, Adams-Schneider stated that the "main proposals" would be embodied in a Bill which he hoped to introduce this year for recess study by a select committee.

But, despite the title of the report, Adams-Schneider will call his Bill the Trade Descriptions Bill. (Another example of that unpredictable ministerial touch which left the Commerce Commission's bankcard recommendation suspended in mid-air?)

The working party's report is quite short and suffers badly from a lack of detail and the absence of a draft Bill (in contrast to the reports emanating from the various permanent law reform committees: (see *NBR*, September 8).

Indeed, the whole report is rather vague on the critical question of enforcement of consumer laws.* The problem is that the civil law remedies (actions for damages by individual consumers) are often not used because of the cost and general hassle of going to court: this in turn means that the courts do not get the opportunity to clarify the often bald terms of the legislation.

On the other hand, criminal remedies (prosecution, conviction and fines), although enforced by public officials at public expense, antagonise traders who detest being hauled up as criminals (especially when many consumer laws do not allow a defence based on lack of criminal intent).

Enforcement is also a problem with the proposed Codes of Fair Practice. The report does not say whether it envisages these codes would include conciliation and arbitration provisions.

Nor does it say what happens to persons who do not belong to a trade association or who operate in areas where there is no association.

The New Zealand consumer laws have long been plagued by administrative divisions of responsibility between the Departments of Justice and Trade and Industry.

It seems reasonably clear that, if the long-term blueprint of the working party is to come about, consumer protection legislation currently administered by Justice should be transferred over to Trade and Industry Consumer Affairs Division.

The immediate consequences of this administrative division is that while the working party (directed by the Minister of Trade and Industry) has covered some consumer protection ground, the Contracts and Commercial Law Reform Committee (in the Minister of Justice's realm) has been looking at the Sale of Goods Act.

A little co-ordination would not go ostray.

*See Borrie, *Laws and Codes for Consumer, (1980) Jnl Bus Law 315.*

Profile

Bureaucracy battler flies back into frontline

MATT Thompson — the man behind the Skybus concept — has been battling bureaucracy for years.

Early this year he drew up plans for a ship and a full financial proposal to run the Chathams Islands' shipping service at a profit and no cost to the taxpayer.

He didn't get to first base. The Ministry of Transport rejected his plans in favour of the existing taxpayer-subsidised service.

One of Thompson's dreams has been to operate a tug and barge service. He points out that all but two of this country's major cities are on the water, and tug and barge operations work admirably overseas.

Shipping sources agree with Thompson that tugs and barges would cut New Zealand's internal transport costs dramatically, but opposition to the labour-saving scheme would be opposed by the Seamen's Union. It has never got off the planning board.

Thompson thinks big. The Skybus venture is no exception.

Other third-level operators might have been content to pick up scraps from Air New Zealand. But Thompson is challenging Air New Zealand head on in the Government-owned airline's major routes.

He once had a scheme for importing petroleum products into New Zealand on his own, in direct competition with the seven sisters and their New Zealand subsidiaries.

Even Thompson's enemies grant him one redeeming attribute — he's a fighter who can't be put down.

No sooner does one transport venture founder on bureaucratic interference or withdrawal of creditor or investor support than Thompson is up again with a new venture.

The consensus of opinion among his close business associates is that he is an entrepreneur who has come up with some brilliant transport concepts.

His associates are less kind regarding his financial management capabilities.

Thompson disputes this charge, pointing out that he started life as a farm boy and has built up some successful businesses from nothing.

This is true. But Thompson has also left a lot of financial wreckage in his wake.

In most cases, bureaucracy was involved in the collapse of Thompson's transport empires.

In 1971, Thompson set out to salvage the new Japanese fishing ship Masu Maru which foundered off Te White station. Dan Ridderford, former Justice Minister, owned all the land around Te White and didn't want to let Thompson cross his property.

Thompson beat Riddiford, salvaged the ship and towed it to Nelson where it was repaired and sold.

Thompson wouldn't say how much he made on the deal but associates say he was sitting very high on a fat wallet after the venture.

Thompson set up Unit Shipping, a tug and barge operation hauling goods from Onehunga to Timaru. This venture went belly up after protracted dispute between the wharfies and Drivers Union and opposition from Railways and the freight forwarders.

As with other Thompson ventures, transport sources said the tug and barge concept was brilliant. It still lost money.

Thompson fought the Railways for many years as he built up the trucking and car hauling operations that later became the Haulaways Corporation. The weak link in the car-hauling operation was Cook Strait, where he had to rely on Railways ferries.

To get a licence to fly his own airline across the Cook Strait, Thompson bought out Air North and Akarana Air. When he tried to subsitute bigger planes (Carvairs and Corvairs) for the smaller planes, the Air Services Licensing Authority changed the rules of the game to stop him.

The Arab-backed Bank of Credit and Commerce International financed the planes with $3.8 million.

But the whole Haulaways Corporation went into receivership in 1978. Last March the receiver appointed by the BCCI reported a deficiency of $3.2 million.

Thompson personally guaranteed the BCCI loan.

The BCCI is currently owed $A3.08 million, but as the Haulaways Corporation has been pared down to its one big money spinner — Car Haulaways — this $3.08 million debt should be cut down to a deficiency of about $1 million.

Thompson said he was in legal dispute with the BCCI.

Regarding Skybus, Thompson said he was executive director only. Under this position, four separate sections run by professional managers would handle finance, engineering, operations, and marketing.

The use of Skybus aircraft on international charters would also pose problems. If permission was gained from foreign governments there would still be the difficulties of making them economic.

Unless a series of what are called back-to-back charters are organised, involving several hundred passengers for one single destination, the need to fly the aircraft one way empty eats up the profit.

Back-to-back charters would hit scheduled airlines so hard, foreign governments are unlikely to give approval readily.

A major questionmark surrounding the Skybus venture is aircraft maintenance. Thompson said major nine-monthly maintenance would be done in Hong Kong. To avoid flying to Hong Kong empty, Skybus plans would run a $900 eight-day Hong Kong package tour on the maintenance flights.

All maintenance in New Zealand would be handled by Skybus staff, Thompson said.

He said he had already received job applications from DC8 flight engineers and pilots without advertising positions vacant. Some applications had come from Air New Zealand-trained men, he said.

He had not yet decided on a fuel supplier.

Aviation sources say Skybus is headed straight into

Matt Thompson . . . can't be put down

confrontation with the Government, the bureaucracy and Air New Zealand.

But technical and economic problems may prove more formidable than political and bureaucratic opposition. A consensus of technical opinion is that while the DC8-53 could operate through Wellington without problems, it could not use Momona airfield in Dunedin (which is on the Skybus timetable).

The DC8-53 is similar in type to the DC8-52s that Air New Zealand has been flying for 15 years. These aircraft are uneconomic on international runs for which they were designed and world airlines are trying to discard them.

Air New Zealand's DC-8 on the Japan run will certainly lose money because the load factor required to break even is probably close to 90 per cent. The losses are taken in the cause of route development.

The use of the DC8 would be even less economic on a domestic run. Assuming Thompson started his services with one DC8, the aircraft would be confined to services among Auckland, Wellington and Christchurch and an extremely high load factor would need to be assured fur the maximum 150 seats on each of, say, five return flights a day among the main centres. Even at reduced fares, the problems of filling one DC8 between 10am and 3pm each day would be considerable. Three DC8s would have space over if they carried every single domestic passenger between the three main centres on an ordinary week day.

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But full or empty, the minimum cost of keeping a DC8 in the air would be around $5000 an hour — that covers, say, fuel, crew and the supply of materials needed to cater for the aircaft and its passengers. Above that would be all the charges for ground staff, commissions for salesmen and 11 per cent of all revenue which must be paid for airport and airways dues.

Availability of fuel might not be a major problem, because there is said to a relative abundance of supplies. But the Ministry of Energy would certainly take its normal stance — that any new demand should not make fuel more expensive or harder to get for existing operators. And because of the situation in Iran and Iraq, availability could rapidly become a problem.

Because the DC8 is an old aircraft, maintenance demands are high. These may be Skybus's biggest obstacles.

Thompson says he has experienced engineering staff available, but he will require a large range of spares and adequate tooling equipment.

With the right equipment, he might be able to manage an engine change in Christchurch, for example, where he has access to a hangar.

Electronics firm defends need for protected market

by Lindsey Dawson

MENTION words like "inefficient local industry", "protectionism" and "restructuring", and people in sectors like car assembly and electronics tend to wince.

A number of industries have been brought under Government scrutiny, and reports are being written by the Tariff Review Committee which might open up local business to the cold, hard world of international competition.

But, despite consumer complaints about having to pay high prices for New Zealand-made goods which could be imported more cheaply, local manufacturers can always supply reasons why they deserve Government protection.

Fountain Electronics, New Zealand's home-owned and home-financed electronics firm, is no exception.

Fountain general manager Brian White said: "There is tremendous potential for the New Zealand electronics industry. The world relies so much on electronics these days, and it would be a very negative step for New Zealand to open up the market to international competition — there would be no growth, no development here if it was open slather.

"In the industries with which we have a close association there is an opportunity to really promote professional industrial electronics.

"Agriculture is a case in point, as are the steel and pulp and paper industries, not to mention the educational and medical areas.

"The point is that those markets are only viable if we have a spin-off into the volume consumer market. You have to have that to be viable," White said.

New Zealand electronic know-how is equal to the best in the world, he said. Remove protectionism and we're depriving ourselves of a great future.

Local manufacturers are protected by a 65 percent tariff. Until recently, returning Kiwi tourists who had bought duty-free overseas, were bringing a third of the country's new audio gear back in their suitcases. New customs rules will reduce that flow.

White hesitates to ask for more protection. "We accept the *status quo* in this area. Obviously it would be foolish to say no, we don't want any more. But we believe we are efficient enough to survive under the present system.

And he does say that the company in time, will achieve sufficient volume and efficiency to compete in the export market.

Fountain began back in the thirties when the late J R Eckford opened a small shop known as SOS Radio Ltd, in Darby Street, Auckland. In 1919 he opened SOS Radio Wholesale Ltd to import and wholesale components required by radio and electronic service people. Then in 1951 came a name change to Tee Vee Radin Ltd and the start of an expansion programme. Branches were opened in Wellington, Christchurch and Dunedin between 1958 and 1962, and the Fountain name was introduced in 1963 with the establishment of the manufacturing subsidiary.

A new head office was built in Grey Lynn in the late 1960s, and the company developed into separate divisions. The Tee Vee Radio name "died" in 1975 with the advent of Fountain Marketing Ltd and its parent company Fountain Corporation Ltd.

Today the corporation employs about 120 people working in three divisions: Fountain Electronic Industries, which manufactures Fountain brand hi-fi equipment and music centres; Fountain Radio Industries, making portable radio and cassette units, budget-priced music centres and digital clock radios; Fountain Transformer, producing transformers, coils and chokes.

Fountain Marketing sells the company's products and holds the New Zealand agency for several overseas companies, including the Toshiba range of audio equipment and calculators. Fountain Securities handles the group's properties.

White is new to the general manager's chair, and was previously northern region manager for Burroughs. He succeeds former managing director H R Simmonds who is now managing director of Hunter Douglas Ltd.

At the company's recent annual meeting, shareholders were told that Fountain has a hard year ahead. There is no chance of a profit for the first half of this year, and for the second half, "we, like every other board, are faced with the almost impossible task of deciding whether the economy has troughed and just what credence we can place in our market intelligence," said chairman B L Macedo.

"Therefore the problem is to decide whether, and to what extent, we should trim the organisation back perhaps to the point where we would have difficulty in quickly rebuilding for an upturn, or whether we should merely reconcile ourselves to accept, at best, a break-even situation until the upturn comes."

Fountain executives are cautious about revealing future plans, but at the annual meeting shareholders approved a \$3.5 million increase in nominal capital to \$5 million, and Macedo spoke of diversification, a possible cash issue and mentioned takeover possibilities.

Fountain has been restructuring internally for sometime to cope with the difficult market. "It's a lean organisation," says director Bert Dillner. "It has to be in today's market conditions."

One of Fountain's major problems is the size of the country's population. "We have three million people. For the manufacturers like the Japanese, the world is their oyster."

Fountain does not have the glossy advertising, the promotional gimmickry and the constant style changes of the big international manufacturers.

But the quality is high, says Dillner. "We're proud of our product. It sounds good. It competes with the best of overseas technology. We try to strike the happy medium with styling — to produce something which fits into the average home. It's not everyone's cup of tea to have shiny panels and winking lights after all. Our products are made for New Zealand conditions by New Zealanders — and we're proud of that too."

All Fountain products are New Zealand-designed, but most of the components and raw materials have to be imported. The only true indigenous content in a radio or stereo set is the wood that goes into the cabinet.

Dillner describes the stereo market as buoyant, as people continue to upgrade their home sound systems. But, of course, competition is tough — as it is in the radio field.

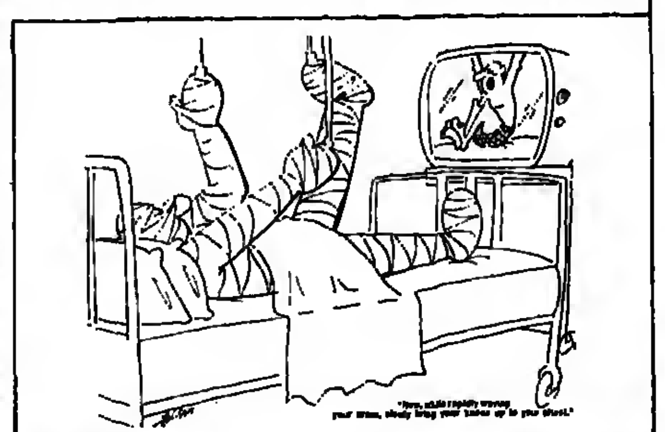
Fountain used to have a 45 per cent share of the radio market, but as television manufacturers have diversified into radios in recent years as the initial colour television boom has worn off, their market share has dropped.

Digital clock radios have been a big seller — retailing at about \$88.

Fountain has new products coming up as well as variations on present lines but they are still under wraps.

In general terms White says there is very high morale in the electronics business — "it's an exciting industry, and there's a great deal of job satisfaction involved".

He says that in the industrial and electronics field there is a huge opportunity for New Zealand technical skills, especially in software. We're equal with the best in the world."



Marketing

Campaign creates lucrative local cheese craze

by Grev Wiggs

"THERE were many who, at the beginning of the 1970s, with Britain about to throw in her lot with the EEC and shut the door on a New Zealand cheese industry structured to manufacture cheddar to suit the British palate, found it hard to see anything but a bleak future for cheese. But as the decade of the 1980s begins, the cheese industry finds itself again entering an expansionary phase."

In the light of what happened to the production and sale of cheese in the 1970s, this extract from the New Zealand Dairy Board's report for the year ended May 1980 must rate as one of the understatements of the year.

It certainly fails to capture the drama and trauma of the country desperately searching for new markets to replace the loss of 75,000 tonnes a year of cheese closed out by the EEC; of the success of the negotiators and marketeers in building Japan to replace Britain as the major export market; of the further successes in increasing the United States quota and re-establishing access to the EEC; and particularly in the home-gown success of doubling sales on the domestic market in the short space of seven years.

Cheese production, in excess of 100,000 tonnes a year, now stands at about where it was a decade ago, although towards the end of the 1970s it had dropped to as low as 80,000 tonnes. Much of that recovery must be attributed to the good results achieved by the local marketing operation.

The writing appeared on the wall in 1970 when Britain initiated talks on entry to the EEC.

The Dairy Board could then only look ahead to the ultimate loss of its largest market. If this sector of the dairy industry was to emerge from the crisis in a viable state, there was an urgent need to find and develop new markets.

Right at hand was the domestic market. But New Zealanders, among the biggest meat eaters in the world, scoffing over 100 kg of meat per year, were poor cheese eaters by world standards.

Where a French person would consume around 15 kg a year, the average Kiwi could manage little over 4 kg. Conventional wisdom had it that as both meat and cheese were protein sources, it was unlikely that, given our meat consumption, we could be encouraged to eat a great deal more cheese.

The Dairy Board, which normally marketed only dairy products intended for export, took the lead in forming a local committee with producers and distributors represented, to market cheese locally and a levy was introduced to fund a national promotion.

The local market volume is now at the level of 12,390 tonnes a year but the initial budget was limited.

As a base for evaluating consumer attitudes, opinions and shopping habits, a study was conducted by Massey University. It showed that the image of cheese held by consumers was extremely favourable. Cheese was considered a good source of protein, good for children, with a wide variety of uses and easily and quickly presented in meal form.

There was little that needed to be done in correcting consumer attitudes so initial advertising and promotion concentrated on encouraging consumption and increasing the frequency of usage and purchase.

Media activity combined television, radio and magazines and used the theme "Make today a cheeseday". Advertising was supported by in-store sampling and recipe giveaways in major centres. But, with no merchandising force available, use of point-of-sale material was restricted.

In pre-promotional days there had been a natural market growth of about 350 tonnes a year. At the end of the first year of promotion (May 1974), consumption was up by 1567 tonnes or 12.1 per cent and the 1974-75 year recorded a further rise of 769 tonnes or 5.3 per cent.

In spite of this increase — 2336 tonnes in two years — the production surplus, due to the reduction of exports to Britain, was growing at an even faster rate. There was a need to accelerate the pace of local market development.

The Massey study had pointed up two significant factors in consumer purchasing habits.

Cheese was a regularly purchased item, with over half the consumers buying on a regular weekly basis, but the amount purchased was limited to an average 250 to 400 grammes.

The handling agency, Campaign Advertising, argued that the classical marketing ploy of promoting larger sized units of purchase would produce stock pressure in the home. This would induce greater usage and lessen the likelihood of out-of-stock situations.

This was borne out by the experience of Dairy Board staffers who bought cheese in large sized portions and found their cheese consumption rising.

The agency contended that to overturn existing buying habits required a greater share of food advertising than the budget could support. It proposed a test of intensified activity in a single marketing area for a six-month period.

Agreement was reached, and the Dairy Board agreed to fund the exercise with an investment additional to the normal budget and based on a target increase of 800 tonnes over the six months period.

Auckland was chosen for the test market — for its size, stage of market development and media control.

For the Auckland area it was decided to promote the concept of "Family Block" sizes — from 900g to 1 kg — and identify them with a special sticker. For the remainder of the country where, as Auckland was now separately funded, advertising could be stepped up, the theme was "Buy a Bigger Block".

Television was backed by radio and the Des Britten television commercials differed only in their tags. In-store merchandising material was plentiful.

The Auckland campaign began at the end of July 1976 and easily achieved all its targets, finishing with an increase in sales volume of 19.7 per cent for the full year.

Elsewhere the campaign went well. Offtake to the end of the May 1977 year rose by 4300 tonnes to over 20,000 tonnes nationally, an increase of 27.4 per cent representing a per head consumption figure of 6.5 kg.

It was then time to plan the nationwide family block sticker campaign for the following year, but there were difficulties to overcome.

Few producers or distributors at the outset believed that the sticker had much merit.

For reasons dictated by surveyed consumer opinion a change was made to animated commercials and the animated characters were carried through for use at point-of-sale.

The campaign, which was due to start in June 1977, was based on high exposure levels achieved in phased bursts of expenditure. The launch, for instance, was to reach no less than 95 per cent of the total target audience an average of 12 times per week over three weeks.

Again the Dairy Board funded the additional money required to reach the campaign targets.

During the advertising campaign there were tremendous price rises. This caused distributors to become concerned about the consumers' willingness to pay the extra for the 1 kg block. Some began to cut down the size of the block to reduce the shelf price. But no one asked the consumer who, quite happily, was still prepared to pay the increased price.

In spite of all the problems, tonnage for the May 1978 year had climbed to 22,500, a further increase of 2360 tonnes or 11.7 per cent.

The summer of 1977-78 saw drought spreading throughout our dairying districts and production dropped dramatically. At the same time export sales experienced a surge and there was some doubt about the ability to satisfy the local market.

Advertising weight had to be halved and emphasis was removed from the family block.

But things returned to normal and the new campaign was planned. It centred around Bruce Forsythe and a notable range of four commercials which, incredibly, were produced in two days.

The campaign began in March 1979 and, despite heavy price increases once again produced gains on gains.

The end of May 1979 figures indicated that sales volume had climbed to 26,100 tonnes, an increase of 3600 tonnes or 16 per cent.

Estimated sales for the May 1980 year, when the "Cheese Right" theme is introduced, are 27,500 tonnes, making the domestic market the largest for the cheese producers. It was only 12,390 tonnes when the exercise began.

We consumed 4.4 kg per head at the beginning and now we are disposing of 8.7 kg of cheese. In line with our increased familiarity with the product goes an increased sophistication. We are eating 77 per cent of all cheese in its natural form. We are consuming as much "tasty" as "mild".

"Expectation is that the market has further potential for growth", says Neville Martin, information officer for the Board. "The development of the local market has been a productive exercise in that there are practical applications for overseas markets of what we have learned here in producing a radical change in eating habits in a very short period."

In this example of applied marketing principles the Dairy Board has confirmed that its marketing ability is not confined to offshore ventures.

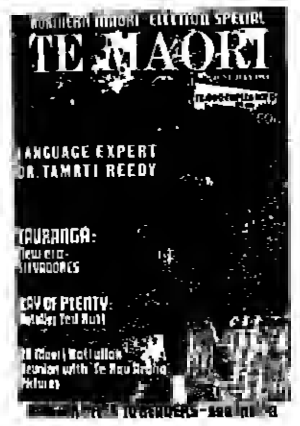
Maori sells magazines

ETHNIC is proving popular as the race for the Maori dollar continues apace.

Since the end of last year, two magazines aimed at New Zealand's half-million Maori population — and interested pakehas — have been on sale in bookshops and on maraes.

The expected warfare between the two — *Te Maori* and *Te Kaea* — has not eventuated. Sales of each are in or near the five-figure mark, a success rate any publisher would be proud of in this magazine-saturated country.

That two new publications, aiming at basically the same audience, can attract such a readership in so brief a time is even more remarkable.



Te Maori is the more conspicuously successful. Published by the New Zealand Maori Council — a Government-tribal go-between — it operates on a free-enterprise, self-supporting basis.

With its close tribal links — it is partly funded by levies on the different tribes — the council relies on up-to-date, down-home-on-the-marae news and features, heavily supported by "people" photographs.

About a third of *Te Maori's* sales are bulk subscriptions sold through the tribes.

It has already moved into the Australian market. A recent visit by editorial consultant Peter Isaac has already produced a small response from the expatriate population of some 120,000 New Zealanders with Maori blood.

Te Kaea, on the other hand, has adopted a more up-market rather than up-beat approach.

Published by the Maori Affairs Department, it sells at $1.25 (nearly three times the price of Te Maori) and has relied more on bookstall sales.

Its circulation is just under 10,000, lagging *Te Maori* by several thousand. The department is planning to push the magazine more into the Maori communities.

Editor Graham Wiremu describes his publication as "rather more sedate with reflective in-depth articles".

That's not surprising, considering the publication relies heavily on Government funding. It must be sensitive to political issues while trying to avoid the label of propaganda mouthpiece. But *Te Maori* is not afraid of the political environment; the latest issue devotes feature space to the Springbok visit.

Advertising support has been mixed.

A comparison of the June/July issues (both are bi-monthly) shows *Te Maori* carrying nearly 20 pages of advertising with *Te Kaea* languishing with only six pages, including three departmental ads.

The Maori Council's Graeme Anderson attributes this to more aggressive marketing by council personnel. As an example, he cites the recent approval for the magazine to be carried on Air New Zealand's domestic in-flight magazine selection.

Te Kaea editor Wiremu says he has not chased advertising and admits circulation has "not been as good as expected". To help rectify this, the department has appointed a professional media representation company.

The two publishers say they maintain close liasion particularly as style and content have become more varied. But that does not appear to have affected readership levels unduly, with both enjoying healthy circulation lists.

As one observer noted: "It seems everyone's coming to the hui".

Video firm scaled down

INL subsidiary Concept Video (NZ) Ltd is taking the advice of the industry and scaling down its operations, it was revealed the other day.

Also revealed officially for the first time — despite many inquiries in recent weeks about the future of certain key personnel with the company — was the fact that general manager Mike Mune is no longer with the company.

Until then, the only response to questions about Mune's status has been an unconvincing "he's on leave".

NBR had been told there was no reason to suggest he would not be back.

In a statement released two weeks ago, INL chairman Alan Burnett referred to the current problems confronting the video firm: "Having regard to the lower level of operations, which does not justify him remaining with the company, Mr M E A Mune has offered his shares in Concept Video (NZ) Ltd to Independent Newspapers. That offer has been accepted and Mr Mune has now retired from his position as general manager and as a director of the company."

Frank speaking for Tongans

by David Robie

TIRED of being shunned by ethnocentric daily newspapers and searching for a voice of their own, an Auckland-based Tongan publishing co-operative has launched a new paper.

The pan-Pacific venture is aimed at the expatriate Tongan community from Australia to Hawaii (about 25,000 people) as well as the 100,000 Tongans in their own kingdom.

But its initial circulation of 2000 is firmly anchored within the 7000 Tongan community living in New Zealand.

Called *Talanga* ("speaking out frankly"), the bi-weekly paper is bilingual but maintains a strong emphasis on the Tongan language. It is published by Polinisia Communications, the publishing arm of the Fangufangu O Tonga Cultural Society, and printed by the *Northern Advocate*.

Papiloa Foliaki, the only woman member of the Tongan Parliament, Immigration under-secretary Aussie Malcolm and Deputy Labour Leader David Lange gave the paper their blessing at the launching party.

Early issues have been well supported by advertisers such as Air Pacific and the paper joins other ethnic publications in this country like *Samoana* (circulation 9000) and *Te Maori* which have succeeded the ill-fated newspaper *Mana*.

An ambitious pan-Polynesian concept, *Mana* was launched in Auckland in 1978 as a multi-lingual paper with pages printed in Maori, Rarotongan, Samoan, Niuean, Fijian, Tongan and English. But the paper didn't survive because of financial difficulties.

"Our slogan *fakatonga ma'a e Tonga 'e he Tonga* (in Tongan, for Tongans, by Tongans) is an indication of our wish not only to communicate effectively but to strive for self-reliance and self-determination," said Sefita Haouli, 31, one of the paper's five editors.

Haouli, also a Consumers Institute advisory officer, says *Talanga* will play a vital role in keeping Tonga's language and culture alive, particularly among Tongan expatriates.

He says New Zealand's dailies have largely ignored the Tongan community, except in a negative way, and the only Tongan access to the media was through the Polynesian programmes of Radio Pacific and Radio New Zealand.

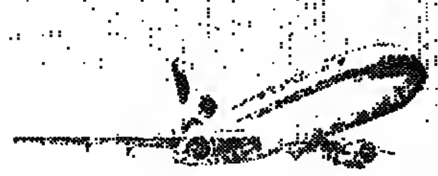
"The mainstream media in this country are not equipped to deal with Polynesian news. We will endeavour to set up our own network of Polynesian news," he said.

The paper is certain to provide a fresh, competitive voice to counter the Tongan Government newspaper *Kalonikali* (Chronicle) in Nuku'alofa, which is dismissed by some Auckland Tongans as a "royal diary".

But Talanga's editors will be wary about treading on political corns. As Haouli puts it: "Of course, a newspaper is a political tool. But *Talanga* is independent and we will not become politically partisan."

MPs at the launch . . . peruse the bi-lingual, bi-weekly

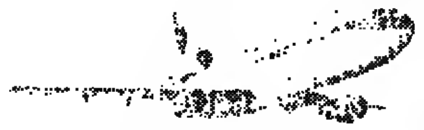
CONTINENTAL AIRLINES ANNOUNCE MORE OF JUST ABOUT EVERYTHING.



SYDNEY
Wednesday departs 0920 Hrs.

HONOLULU/USA
Wednesday departs 2045 Hrs.

SYDNEY
Friday departs 0920 Hrs.

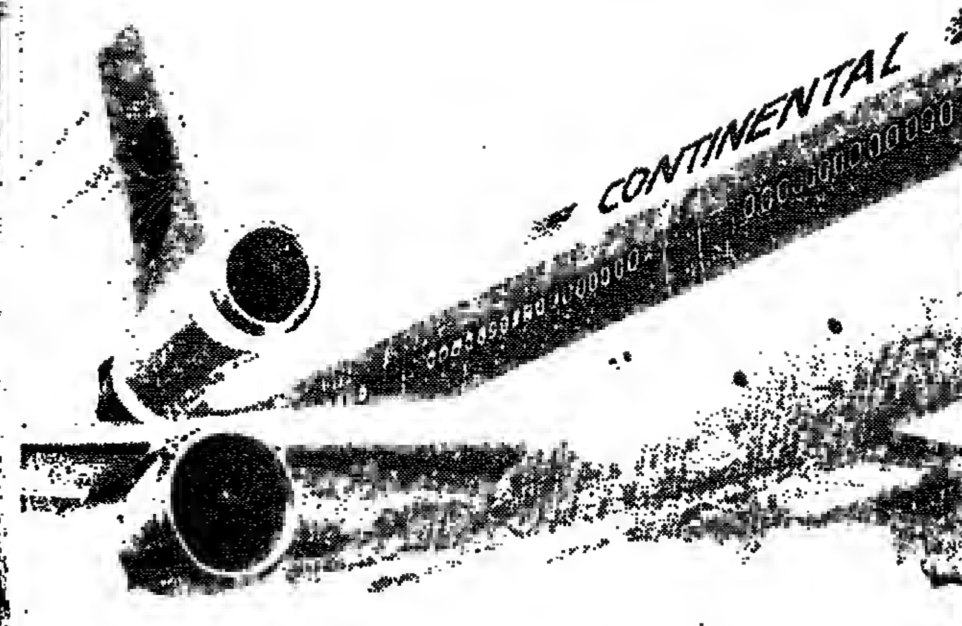


HONOLULU/USA
Thursday 2045 Hrs.

SYDNEY
Sunday departs 0920 Hrs.

HONOLULU/USA
Sunday departs 2045 Hrs.

MORE FLIGHTS.



MORE SPEED.

If you thought our service to America before, youLbefore, you should see us now.

Because from October 29, we give you a whole lot more.

More Flights. For starters, there's our new service to Los Angeles. That's our home town, so we go full out to make a good impression on you.

We offer Statesman Service to full fare Economy passengers. It gives you a lot of extras for no extra. Including free drinks and headsets for movies and stereo. Choice of menus. Preferential seating that makes for a quieter, more relaxed flight. Preferential baggage handling too. And access to V.I.P. lounges where available.

More Comfort. We've always thought our first class service was something special. Now it's even more so.

We call it Royal Statesman Service. And it lives up to its name in every sense.

There's luxurious sleeper seats that let you stretch right out. Delicious meals (a choice of four main courses, no less). Fine wines. You couldn't as for more.

More Speed. We will be faster than before with a one-stop service to Los Angeles. Another speedy thing is that you clear customs and immigration in Honolu when the crowd has gone. It's also a lot quieter as well.

More Services. We're pleased to announce that from October 29 we fly Australia three days a week. Every Wednesday, Friday and Sunday.

And we treat you to full international service.

For instance, in economy you can enjoy a choice of main courses, free headsets for stereo an American video entertainment like NBC Sportsworld or CBS Magazine of the Air. Programmes exclusive to Continental.

And More. For one, we have our own terminal at Los Angeles with our own friendly ground staff.

So if you have to make a connecting flight, it means you don't have to change terminals. You save lots of time. And lots of legwork.

Then there's our network. We have frequent flights daily out of Los Angeles alone to over 30 cities from coast to coast. All the major business centres too. New York, Denver, Houston, Washington D.C. to name just four.

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Practising what we preach: lifting the limits on access for Pacific-made joint-venture products

by Sue Green

THIS is the second in s two-part serlee by Sue Graen of the *Evening Post*, who recently returned from s two-month tour ot the Pecific during which she exsmined the New Zeelsnd Government's Pacific Islands Industrisl Development Schema.

NIUEANS will not buy Gary Cooper's soft drinks. They say the drinks are flat and prefer New Zealand canned ones which, despite high freight costs, aell for almost the same price.

Cooper's drinks company, a venture set up under the Pacific Islands Industrial Development Scheme, is one case of an import substitution scheme which has not worked well. There are others.

Now the plea by Western Samoa's Director of Economic Development, Hans Kruse, "we would like to see more exports", is echoing throughout the Pacific nations involved in the scheme.

Cooper started Niue producta soft drinks company 2½ years ago to cover overheada while he set up s coconut cream canniog operation.

Because Niue was not showing an interest in PIIDS, the New Zealand Department of Trade and Industry officials who run the scheme bent over backwards to help him, Cooper says.

For eligibility purposes his canning and bottling operations were split into two ventures so he could receive $13,000 — more than the maximum $10,000 small venture grant for one project.

But the drinks have not sold. Most of the 1200 two-dozen cases produced each week are in storsge and Cooper has had to lay off staff. He blames the Niue Government because it will not reduce the flow of imported soft drinks, as he says it promised to.

But the Government's financial secretary, Noel Venner, says there was no promise.

Something is wrong if Cooper, with a product that is mainly water, cannot undercut the price of drinks freighted from New Zealand, he says.

The basic problem is quality. The drinks are not liked. Niue Hotel manager John Funaki says they are flat. He no longer stocks them. But Cooper says quality would improve with more sales and he haa high hopes despite the setbacks.

But meanwhile, the drinks venture financed by PIIDS and listed by Trade and Industry as creating five jobs, employs three women. The canning operation, also financed and listed as creating 15 jobs, does not exist.

As in Niue ond the other PIIDS countries, Samoa'a PIIDS ventures have mostly been import-aubstitution oriented — but not all successfully.

Caxtons, for instance, run a toilet paper processing operation there, Pepa Industries. It is basically packaging and winding. Yet although imports are restricted to give it some protection, most Samoan stores stock aofter, more-on-the-roll-for-the-same-price American paper imported from Pago Pago.

But there has been one big stumbling block to attracting more export-oriented industries — that's apart from obvious problems such as distance and transport costs. It ls the main criticism of the PIIDS scheme — lack of access to the New Zealand market.

Most of the countries taking part in the scheme have told Trade and Industry they think the access criteria should be loosened from the stringent, case-by-case basis. Fiji has been one of the most vocal critics.

Its Permanent Secretary for Commerce ond Industry, Lai Qarase says: "We certainly would have liked more favourable treatment of products out of joint ventures into New Zealand ... the lack of access for PIIDS goods has negated some of the acheme's advantages."

New Zealand is Fiji's biggest, closest market and naturally, because of distance if nothing else, it would be most attractive to people setting up in Fiji, he says. But the restrictions have played down that attraction and the emphasis has been on setting up joint-ventures for third markets.

New Zealand is accused of taking the credit for promoting Pacific industry — as long as what is made does not arrive on its own wharves.

The companies themselves are critical of the Government for this.

Edwin Franken, manager of Tropical Foods, a ginger processing venture in Suvo, says creating a new market for the Auckland parent company was one of the main aims in joining the Fiji venture with the National Marketing Authority of Fiji.

But since then the atory has been one of constant problema getting a licence to import what needed in New Zealand.

"It does not happen automatically, but with pressure they normally yield," he says of the Trade and Industry Department. But that pressure takes hours of unnecessary work, phone calls, trips to New Zealand. They should be more flexible, he says.

But they do not always yield.

One or two projects have been discouraged because of the accesa provisions they wanted, the department's Francine Porteous says.

This has come particularly from Fiji and Tonga which do not have such favouroble terms with New Zealand as do countries with a historical relationship and trade preferences, such as Niue, Western Samoa and the Cook Islands.

"The New Zealand Government made it quite clear that it preferred projects nut aimed at the New Zealand market. The way things have worked out we have found most of the ventures have been aimed at local island marketa," Lloyd said.

Although the department uses that as a justification for the access provisions, it seems a chicken and egg situation — probably most ventures were aimed at island markets because they had little choice.

Although it made no special provisions for PIIDS projects, Pacific countries are now counting on some relief for their projects and bigger potential to attract new ones from the South Pacific Area Regional Trade and Economic Co-operation Agreement (Sparteca) signed in July at the South Pacific Forum meeting in Tarawa.

It is a non-reciprocal free trade agreement between New Zealand, Australia and the 12 Forum countries — except it is not totally free because some products are not included.

New Zealand has not included tomatoes, capsicums, apparel and footwear to protect local industries. Some of the Niue, Cooks, Samoa preferences are to be retained, so there will not be unrestricted access for their key products — frozen passion fruit, pulp, some fruit juices, canned pineapple, copra, coconut oil and coconut cream.

So some areas in which PIIDS countries would like to develop their industries, perhaps with the scheme's help, are still closed at this end.

Because these are important areas to them, the restrictions go some way to undermining the extensions of PIDDS to cover agricultural products.

They may also mean that, without the New Zealand market for which to develop their own resources, they are forced to go to less local products using imported raw materials — such as the Tongan woollen jumpers PIIDS venture, criticised by Corso as locally irrelevant.

Western Samoa's Kruse says the agreement has improved access for his country's wood and coconut products. Tariffs meant it was hard for manufacturers to move into those areas.

In the spirit of give and take, Samoa got some unexpected concessions on textiles, he says.

So by and large the agreement should improve trade. But because of the built-in local protections it still cuts out some important products, for instance, the garment industry, so not all problems will be solved, he says.

Fiji too is unlikely to see the agreement solving all problems. Before the agreement was signed, Qarase was taking a positive approach: "After that I see PIIDS expanding more rapidly and forsee transfer of more indusrry from New Zealand to the Pacific because of access arrangements and lower costs in Fiji.

"We are the taker," he said of Sparteca.

But after he made those comments in June, Fiji refused to sign the agreement until this month.

A backtrack by the New Zealand Government on an agreement to take more orange juice from Fiji led to that refusal.

The Trade and Industry Department's Porteous says it is too soon to say whether Sparteca has created more interest.

She expects it will, especially as companies see the possibility of rationalising labour-intensive local industries — but done in a way that would not create competition with industry here, she says.

There are always many inquiries, but there may not be an upsurge until next year, she says.

But she warns that there will still be the constraints of island locations, problems such as freight costs would still apply, even with the New Zealand market available.

Before they can inquire about the scheme, companies have to know it exists. A universal complaint from the countries taking part is that it is badly publicised.

Tonga's Labour, Industries and Commerce secretary, S Raghavan, says more New Zealand businessmen should hear of it. Tonga is publicising it in its own brochure.

One Samoan source said the scheme needed more promotion to attract the right type of business, not just those looking for a fast buck.

Certain industries needing development should be identified and people in New Zealand approached to take up the chance, rather than waiting for them to come up with an idea.

Trips to show businessmen what is happening in the Pacific should be organised, rather than only starting to pay at the more advanced feasibility study stage, he said.

Fiji could do more to push the scheme and planned to, said Qarase, who echoed the complaint thot not enough people knew about the scheme.

Trade and Industry officials also agree it could do with more promotion and say they are trying to do this. It was slow getting off the ground at first but a momentum has built up and it can only make an impact over a long time, Lloyd says.

There is general agreement that businessmen should know more about PIIDS and the countries involved want changes so potential investors will like what they find.

Access to New Zealand markets is certainly the biggest stumbling block. The Pacific nations want a move away from import substitution and third country markets. They see New Zealand as their nearest big neighbour and one which is not only a major trading partner, but which has a responsibility toward them. They eye it as a lucrative market and they want in.

Calls for freer access have come individually from several countries and from both the seminars held since PIIDS started to assess it.

At last year's seminar, Labour's Joe Walding said: "For years we have had ministers and people travel round the world pleading for access to markets, asking for a fair go. We could well ask ourselves whether as a country we are practising what we preach, particularly for access to markets for products from the South Pacific. These people are asking to earn their living in the same way we are in other parts of the world."

It made little sense for Pacific Islanders to leave their homes for a crowded Ponsonby flat, to make goods to sell back to the islands. Even complete access would not destroy the New Zealand economy, so more liberal access should be considered, he said.

In late 1977 when PIIDS was extended to cover agricultural projects, Samoa's Kruse said there was still room for improvement.

There was a lack of a firm market commitment to the scheme. The New Zealand Government seemed to have trouble translating its political commitment at the official level, he said.

But the Government seems to have budged little as far as PIIDS venture are concerned and, despite Sparteca, those calls are likely to get louder. So is criticism of the scheme, particularly if more large companies and controversial projects are given the go-ahead.

Lloyd says PIIDS is an advanced and enlightened way of transferring industry from developed to developing countries, a part of world-wide economic restructuring.

But Corso's Toby [illegible] sees it as a dangling carrot with a rotten centre. "If a poor man is begging and his children are starving he will accept a carrot if you offer it. But you should not offer it, you should offer something more wholesome. It is exploiting people's powerlessness to offer such a carrot."

Unless the New Zealand Government loosens up its access restrictions for PIIDS projects in a bid to pacify, Pacific countries are likely to take a much closer look at what they are getting out of the PIIDS scheme as aid agencies point out to them that the deal is a bad one.

The Government could find itself faced with the need for a complete review and overhaul of the whole scheme.

Lists inch CER a little further down the track

by Colin James

THE study into the possibility of a closer economic relationship (CER) with Australia has inched a little further down the track with the exchange of lists of items for duty-free trade by officials from both countries.

Broadly the list includes items now carrying less than 10 per cent duty.

As yet there is no common list. And lists still have to be settled for the transitional category and the "too-hard" category – particularly sensitive items.

But officials on both sides are satisfied with progress and are confident they will have an agreed joint report on the technicalities of CER ready by a planned December meeting of permanent heads of relevant Government departments.

There is a more relaxed attitude now about the exercise. Officials are, for example, now considering it may be possible to operate with duty-free lists that do not quite match "unidirectional free trade" in some items, as one official put it.

The possibility of simply agreeing one common list for the two main categories has emerged. Since any inequalities would last only for the envisaged five-year period, discrepancies may not be as important as was originolly thought.

Progress was made also on some of the technical issuea at the heart of CER.

By and large the problem of "intermediate goods" – materials and components – appears to have receded as a potential stumbling block.

Now, instead of looking for safeguards in advance, the Australians – whose problem intermediate goods principally are – are looking to specific mechanisms to deal with the relatively small number of items materially involved.

But the sorts of mechanisms envisaged are those which would tend to facilitate trade growth rather than hamper it. Examples are a common external tariff for the intermediate good in question, or a higher area content rule.

Some progress was also made with export incentives. New Zealand incentives are felt by Australians to be over-generous by comparison with their own and to put their products under unfair competition on home ground.

One possible solution being explored is to make a start on harmonisation in 1982, when the Australian incentives next come up for review. The New Zealand incentives are due to run till 1985.

Issues left open for the next working party meeting next month include the finalisation of lists for the second and third categories, access (particularly to New Zealand where many items are still under import licensing) and Government purchasing policies.

Meanwhile, both manufacturing organisations in the two countries remain broadly positive about CER, or, in New Zealand's case, at least not obstructive.

At a meeting between the Confederation of Australian Industry and the New Zealand Manufacturers Federation in Tasmania a New Zealand iden was accepted that industry groups on each side should meet to suggest solutions to problems applying particularly to the group in the context of CER.

But such talks are not to interfere with CER progress and in no sense will constitute the sort of veto which effectively blocked progress on Nafta.

Though there is some opposition to CER among manufacturers the majority view is still that of the official federation line – *to leave the decision* to the Government and not to attempt to block it.

However, that does not stop manufacturers, particularly in New Zealand, from getting nervous about the implications of CER.

The New Zealand manufacturer nervousness is mirrored in a persistent nervousness among agricultural interst in Australia which fear strong competition in certain products.

This nervousness has not been allayed by the voluntary co-operation and restraint agreement reached between the two countries' dairy industries in August.

Whereas some Australians would like that to be a precedent for similar agreements in other products, the New Zealand view is that the dairy agreement was a one-off affair.

Departments resist reform

by Jack Hodder

THE 15th report of the Public Administrative Law Reform Committee, presented to the Minister in July 1980 and released in September, covers the work of the committee since September 1978.

The bulk of the report notes the 37 applications for judicial review dealt with by the Administrative Division of the High Court during the past two years (12 applications were successful). It is observed that, since the creation of the Administrative Division in 1968, about 20 cases a year have been dealt with in the division – too low a figure to secure the advantages originally sought from its establishment.

The report records that the committee's recommendations have not received uniform acceptance.

Proposals for the Administrative Division (rather than *ad hoc* appellate bodies) to hear appeals in respect of Egg Marketing (production entitlement) Regulations and of Transport, Air Services and Harbour Ferry Services Licensing have been resisted by the Government departments concerned.

Amendments suggested for the Electrical Registration, Pesticides, and Reserves Amendment Bills fell on similarly deaf ears.

The committee complains of the short period available for it to comment on bills introduced in the House and welcomes the opportunity given to make submissions on a draft bill revising the Land Act.

Elsewhere, the report notes that the committee is under strength, anticipates the appearance of its report on appeals by way case states "shortly", and records preliminary research for reports on delegation of discretionary powers and statutory powers of entry and search.

Cash limits approach reflects a new determination

by Colin James

IN the next few weeks Government departments will come up against cash limits – thr Government's new weapon to hold spending.

The cash limits are the central element of the sixth and most sophisticated method to hold spending tried by the National Government since its return to power in 1976.

They are likely to mean that departments either improve efficiency or cut activities, since the limits are unlikely to allow departments to fully maintain their current level of activity.

The cash limits approach reflects a new determination in the Cabinet to reduce state spending as a proportion of the gross domestic product. It was devised by Associate Minister of Finance Derek Quigley and Treasury assistant secretary Brian Tyler.

Quigley has been openly disappointed at past failures to curb spending sufficiently. An example that particularly irritated him was the real increase in education spending which slipped through the net this year.

The five previous methods used to hold spending have been:

- A detailed review in 1976 of departmental programmes, which resulted in some pruning to reduce the record internal deficit of that year.
- The introduction of the "sinking lid" on staff numbers, which has had mixed success and led to anomalies such as permanent staff being replaced, in effect, by temporary employment programme (TEP) workers.
- A crude refusal over the past three years to allow departments to adjust their programme cost estimates for inflation from July 1 to January of the Budget cycle, thus in effect cutting their real funds by the six-month inflation percentage. This has bred mistrust among departments of the Treasury and the Cabinet, particularly since it hits some departments, who are more at the mercy of inflation, than others.
- The "three-wise-men" review in early 1979 of major cash assistance programmes by the heads of the Treasury, the State Services Commission and the Ministry of Works which resulted in important cost-cutting initiatives.
- The tit-for-tat policy, introduced last year, which denies a department a new programme unless it can find the money from within its own vote by cutting out or reducing an existing programme.

Central to the difficulty in holding Government spending has been the COPE (Committee of Officials on Public Expenditure) method of protecting the future cost of existing programmes.

This committee has now been abolished, but a smaller group – the permanent heads of the Treasury, the State Services Commission and three other departments – still perform basically the COPE function of agreeing on the cost over the succeeding three years of doing what the departments are currently doing.

The catch is that some programmes have a built-in growth factor and this growth is built into the three-year forecasts. Thus, though no new programmes are introduced, there may still be what is being called "expenditure creep".

This year's three-year forecasts are expected to be completed by the end of the month.

At the same time the Cabinet will come up with a cash figure of its own – the amount it considers it should spend.

This "desired aggregate expenditure" figure will reflect:

- Overall economic factors; state spending can have an important effect on economic activity;
- A strong Cabinet preference to reduce the amount of the gross domestic product being spent by the state; but
- The need for a gradual shift to avoid disruption; and
- Recognition that much depends on persuading the departments to take a positive approach to the exercise.

From the desired aggregate expenditure figure will be deducted amounts for three purposes: "unavoidable" expenditure, such as servicing the public deht; "unanticipated" extra spending, such as for unemployment benefit; and to meet increases in fees, grants and benefits which, over the long term at least, by and large follow inflation.

For the "unanticipated" element, an "additional spending pool" will be created.

After those deductions have been made the balance will be available for distribution to Government departments for normal programme expenditure.

Assistant secretary Tyler says the aim is to keep the normal expenditure on a steady track. Adjustments to meet largely unpredictable increases or decreases in unemployment and other stabilisation requirements will desirably come from the "revenue side" – by raising or lowering the real tax take – rather than by cutting into or expanding other Government spending.

Thus, there will be a certain year-to-year flexibility in the "desired aggregate expenditure" figure, though in the longer term – over, say, two or three years – it will be expected to average out at the desired figure.

Another factor will weigh in determining the final balance available for normal apending: the danger of diseconomies, of distortions in the use of resources, if drastic cuts are forced on individual departments.

This would not be a factor if the balance for normal spending was the same as the three-year forecast. But it is unlikely to be lower.

The Cabinet will decide within the next few weeks whether to go with its own desired figure, or the three-year forecast, or, more likely, settle for something in between. The balance for normal spending will then be divided up among departments probably in very much the same proportions as their individual three-year forecast represent proportions of the total three-year forecasts.

(Past relative shares of the cake will not, however, be sacrosanct. The Cabinet will determine relative priority claims as between departments for resources and is likely to favour industrial development over social spendiog.)

It will then be up to the individual departments to make the necessary savings. If they don't, the Treasury will do it for them.

To make it fair there will be adjustments for windfall savings, due to fluctuating demand for a department's services or demographic changes.

By mid-November the departments will be expected to submit details of their new programmes which they will be expected to fund from within their new provisional allocations.

This year any built-in "significant" increase in an existing programme will be counted as a new programme.

Thus, to finance new programmes or significant increases in existing ones, departments will have to make snvings elsewhere in their activities.

This has become known as the "tit-for-tat" arrangement.

Tyler says the new system recognises that "much more in terms of programme review is possible if the initiative is generated from within departments – through self-examination by people close to the scene."

Past reviews of existing policy reviews have not on the whole been successful or productive, Tyler feels, perhaps because there was no incentive to give up "suboptimal" programmes. There was no quid pro quo.

Tit-for-tat mark one had a similar defect. The department had to give up the programme before it knew whether the Cabinet would approve the new programme proposed in its place. Because they might finish up with nothing, departments have been chary of giving up programmes in the first place.

This year they are to get credits guaranteeing them the money for some new programme, eveo if it is not the one they originally ask for.

The new system's effectiveness will depend broadly on two factors: department's recognition that it is here to stay and their willingness to weed out low-priority or low-productivity programmes.

For instance, Quigley says the Social Welfare and Health Departments have made searching reviews of their programmes and adjusted to the idea of working within limits. that probably owes something to their energetic minister, George Gair. Gair has already applied – and stuck to – cash limits for hospital boards.

The hospital boards are an example of what may happen among departments – an initial kick for political touch, by blaming service cuts on the Government, and then gradual acceptance that the new regime is here to stay and a start on learning how to live within it.

Tyler acknowledges that the "easy life" will still appeal to some departments, but is confident that as rhetoric is matched by Government determination – in contrast to past piety – the new system will become productive.

Meanwhile a planned "envelope" system under which similar votes are grouped and the individual ministers trade off programmes among each other has been shelved until more is known about the Canadian experiment in the field.

Competitive Continental puts own staff on counter

by Warren Berryman


Berrie Duggen . . . confident of merger proapect

CONTINENTAL Airlines has taken its passenger-handling contract from Air New Zealand ond will put on 24 staff to run its own passenger counter.

Chronically overstaffed Air New Zealand told Continental it would have to put on extra staff and charge higher prices to service Continental's new Honolulu-Auckland-Sydney flight. Air New Zealand suggested that, if Continental wanted to maintain the past charges, it should put back its flights out of Auckland two hours to leave after Continental'- business troffic arriving from Honolulu had taken the first plane nut, the Air New Zealand flight.

Continental's vice president fnr sales and marketing, Barrie Duggan, said it looked like Air New Zealand wanted Continental to fly to Sydney with empty planes.

Continental will handle its own passenger services counter.

Freight handling, ramp services, and catering will continue to he handled by Air New Zealand. Continental has contingency plans to take all this business away from Air New Zealand if necessary.

Continental is planning to merge with Western Airlines. It has asked the American Civil Aeronautics Board for expeditious approval and expects President Carter to approve the merger hefore the November elections.

Continental tried to merge with Western two years ago and was turned down hy the CAB.

Duggan said on the previous occasion that the CAB was acting cautiously hecause the American de-regulation policy had heen in force only a short time and no one knew exactly how it would turn out.

Now that de-regulation has been in effect for some time, Duggan said he was confident CAB's previous objections to the merger had been overcome.

Continental's United Stotes services run East-West, Western's run North-South. Merging the two services will tie the knot in the network at the crossroads.

The orea served hy Continental and Western provides 80 percent of the American tourist traffic bound for the Pacific, Duggan aaid.

The merger will give Continental seven American gateways to the Pacific where Continental had only one. These gateways ore Anchorage, Portland, Seattle, San Jose, San Francisco, Los Angeles and San Diego.

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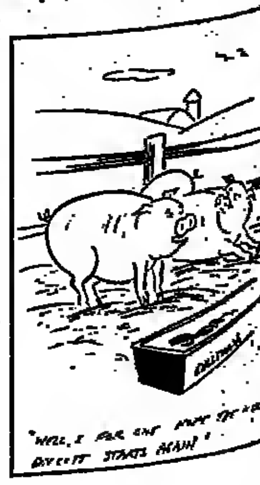

Duty-free does not spell European bargain

by John Bishop

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Numerous cases, reported to the EEC Commission, show that some duty-free shops are selling goods for a higher price than regular shops in other parts of the city are charging.

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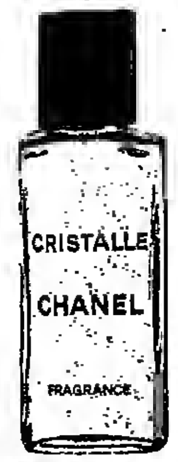
Perfume . . . price varies from $31 to $20

Part of the blame for the rip-offs is being put upon national governments and airport authorities which levy high charges on airport concessions as a way of financing the cost of development.

Some recent cases show that duty free does not necessarily spell bargain:

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Competitive Continental puts own staff on counter

by Warren Berryman

Barrie Duggan . . . confident of margar prospact

CONTINENTAL Airlines has taken its passenger-handling contract from Air New Zealand and will put on 24 staff to run its own passenger counter.

Chronically overstaffed Air New Zealand told Continental it would have to put on extra staff and charge higher prices to service Continental's oew Honolulu-Auckland-Sydney flight. Air New Zealand suggested that, if Continental wanted to maintain the past charges, it should put back its flights out of Auckland two hours to leave after Continental's business traffic arriving from Honolulu had taken the first plane out, the Air New Zealand flight.

Continental's vice president for sales and marketing, Barrie Duggan, said it looked like Air New Zealand wanted Continental to fly to Sydney with empty planes.

Continentol will handle its own passenger services counter.

Freight handling, ramp services, and catering will continue to be handled by Air New Zealond. Continental has contingency plans to take oll this business away from Air New Zealand if necessary.

Continental is planning to merge with Western Airlines. It has asked the American Civil Aeronautics Board for expeditious approval and expects President Carter to approve the merger before the November elections.

Continental tried to merge with Western two years ago and was turned down by the CAB.

Duggan said on the previous occasion that the CAB was acting cautiously because the American de-regulation policy had been in force only a short time and no one knew exactly how it would turn out.

Now that de-regulation has been in effect for some time, Duggan said he was confident CAB's previous objections to the merger had been overcome.

Continental's United States services run East-West, Western's run North-South. Merging the two services will tie the knot in the network at the crossroads.

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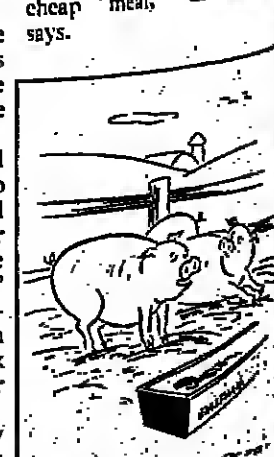

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Sport

Money waved players from selfless days of yore

BRIAN Turner gives a personal view of the sporting scene in this occasional column.

I HAVE lost count of the number of times I have stifled yawns as I listened to people attempting to convince me that sport has plummeted from the hazy, jovial, convivial, splendidly selfless days of yore. From the sepia days when sportspeople knew their places and played only for the aesthetic pleasure and camaraderie to be got from the game. Then, we are insistently and gravely told, the game was the thing, by jove, and everyone hoped that the best person or team would win. What subliminal times they must have been.

No-one cheated, no-one swore at the opposition; no-one gouged, bit, punched; no-one challenged the referee or gave him the fingers when his back was turned . . . etcetera, etcetera.

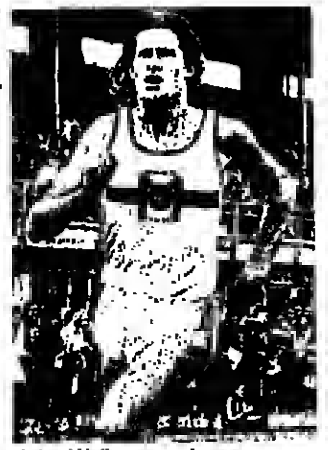
Of course I sit and accept this as gospel. I believe. I speak in exultant tongues. I believe, just as I believe that the Norsemen handed out flowers, that Attila the Hun never raised a fist in anger, and that Hitler was really a kind-hearted little soul who unfortunately did not live long enough to see the error of his insane ways.

Slowly and insidiously the rot set in, and that rot, as far as sport is concerned – so we are told – was money. More and more previously meek and mild individuals woke up to the fact that if it was legitimate to make a large whack selling insurance or cars or houses, and so on, there could not be much wrong with sport's participants – those who actually trot out and perform – being paid for playing their part in the proceedings.

And so the number of New Zealanders earning some money from sport grew, much to the annoyance of some of the more conservative and easily miffed members of both clubs and the community.

The truth is that for a long time a large percentage of people interested in sport could not bear the idea that anyone might make some money out of playing. Professional sport corrupted people and took all the pleasure out of the game. So squeaked the more self-righteous puritans, those to whom high dudgeon, pique and obsession with trivia are commonplace.

If you want an overdose of pettiness or cattiness, of ineptitude sheltering behind the pious robes of the game for the game's sake, look to amateur sport.


John Walker . . . gives a straight answer


Rod Dixon . . . no false modesty


Dick Quax . . . "want to put you in your place"

Let us look at the noble sentiment, "May the best man win". In reality this is acceptable provided he doesn't win too often. In the 1950s Alan Larkins was easily the most outstanding cyclist in Otago and Southland, and also among the top half-dozen in the country, but locally he had many detractors – because he was the best. It did not seem to matter that he had got there, not simply through natural ability, but also because he trained harder than anyone else.

His case was my first encounter with the sort of jealous and spiteful attitude that contaminates a good deal of our sporting life. The old saw about prophets being insufficiently honoured in their own country is unfortunately too true.

I have often been dismayed at the sort of criticism directed at so many of our best sportsmen – the women's turn is soon, no doubt, to come. Dick Quax, John Walker, Rod Dixon, Chris Bouzaid, my namesake the soccer player, and a certain cricketer whose name somehow escapes me, are some of those I have in mind.

The thing I like about these sportsmen, and why I prefer them to most others, is that if they're asked a straight question they nearly always give a straight answer. No mealy-mouthed beating about the bush, no false modesty and a vatful of patriotic schmaltz intended to make them look the nicest of all possible ordinary blokes prepared to lie down and die for team and country. But instead of applauding their honesty and continual magnificent performances, too many of our sports fans sneer, smear, snipe, deride and censure.

Quax has been reported as saying: "As soon as you get too good the media wants to put you back in your place. In doing that, it's only reflecting public opinion. The New Zealand public doesn't like its sportsmen to be brash or outspoken. They like modest retiring chaps, the more uninteresting the better."

In the same article Quax recalled being jeered and booed by a group of social cricketers in the Auckland Domain who were drinking beer while waiting to bat.

This is only too typical as other leading sportsmen will attest. There is no way our sporting public is going to allow anyone to become larger than life, we're too small-minded and thick-headed for that.

When Rod Dixon states that, even though he says it himself, his running under 47 minutes for 10 miles was a tremendous effort he's dead right. Hands up how many people out there could, after say four weeks training, run even one mile in under five minutes let alone 10 in 47. About two in 500 I'd say. Me and one other.

I'm not sure that Quax is quite right when he talks of the media reflecting public opinion", since I know of sportsmen who have frequently been riled by journalists who offer their own opinions as facts. It has been said that Graham Mourie is so aware of this that he says next to nothing. I well appreciate his attitude although it infuriates me.

Eric Watson still admits that he does not really know how to handle the media or how best to answer many of their questions.

Just prior to the All Blacks' departure for Wales he said that journalists often asked damned silly questions to which he sometimes replied in kind; the only trouble was some were stupid enough to print them. Eric's problem, which he has yet to solve, is that he is basically a dry, simple guy who has yet to learn that the only way of being sure of getting your point across is to print it yourself.

Come October though and sport begins to shed some of its more stubborn skin. The fishing season has arrived in the South and I shall soon, quite often, be stealing along the edges of our threatened and diminishing number of free flowing rivers, scanning the riffles and runs for those seductive silent choristers of the deep, magnificent trout.

All those, like Dick Quax, who must despair at the number of bloated knockers in our midst, should try a spot of angling once in a while, for it is said that the gods do not deduct from one's alloted life-span the hours spent in fishing. Think of that and be thankful, if you have it in you.

Agriculture

Spring has sprung but seasons still to come

by Greg Newton

FARMERS are in for a mixed bag over the next few months.

Spring has been unduly kind this year, both down on the farm and in the international trade arena, but summer and autumn threaten to bring a number of problems.

The lamb drop has been a record this year. Last season's wet summer and autumn allowed the ewes to go to the ram in good condition, and the generally warm spring has meant higher than normal lamb survival.

Good news on the trade front has been coming in torrents.

The longstanding wrangle with the EEC over lamb and butter access has been solved for the next year. New Zealand will send 95,000 tonnes of butter to Britain, down by 20,000 tonnes on last year, but we will be paid 25 per cent more for the product.

The lamb quota granted is far in excess of the quantities that have been sent to Britain in recent years and the reduction in duty, from 20 per cent to 10 per cent, has added about $3 to the value of each of the millions of lambs now gambolling on spring pastures.

Delight at the conclusion of big lamb deals with Iran and Iraq has been tempered by the war in the Middle-East, but the general feeling is that meat exports are unlikely to be seriously affected.

The early season purchase of mutton by the Russians has led to meat exporters increasing schedule prices for that product in an effort to get old ewes through the works before the main lamb rush.

Diversification out of beef has been a feature of the farming scene for the last three years, but there are prospects of higher prices being realised in the United States, where a drought has cut 40 million tonnes from the feed grain crop. An increase in killing may result from this, but the United States Department of Agriculture experts predict, some say optimistically, that the drought will add one per cent to inflation in 1981.

There are clouds on the silver lining, both at home: the capriciousness of the climate; the uncertainties facing the freezing industry.

The meat export trade faces severe disruption following last week's union call for a national export load-out ban.

The ban, which affects the handling of all export produce during the killing season, will start on November 10 if the 25,000 freezing workers support the call.

Indications are that the country is in for a long hot summer. Throughout the country, September was warmer and windier than average and soil moisture levels in many regions, notably Canterbury, are already at very low levels.

The North Island is not yet so seriously affected but early season dairy production is running slightly behind 1979 levels, and the Dairy Board is expecting a drop in butterfat production from last year's record 290 million kg to around 275 million.

If a serious drought does eventuate, its problems could be compounded by any disruption to the killing season.

Production incentive schemes for farmers – such as the livestock incentive schemes and the land development encouragement scheme – are beginning to pay big dividends.

The stock increases have also been assisted by new heights in farmer confidence, induced by good returns, the comparatively settled climatic conditions of the last two seasons, and the actions of a Government that has supported export industries for the last two seasons.

In a drought, farmers must be able to have stock condition.

The freezing industry has been relatively peaceful in the last two seasons but the closure of Southdown has upset unions involved in the industry.

While the closure of the works has been widely tipped for at least the last 18 months, the final outcome of the debate contains two certainties. There is no way the Government is going to step in and keep the works open, and there is no way that freezing workers are going to let the issue drop without letting the industry know the depth of their displeasure.

The next conciliation meeting between freezing workers and their employers is being held today and tomorrow. The outcome of those negotiations of the Southdown issue's impact on prospects for the killing season.

The unions are seeking a 17 per cent wage increase.

The potentially divisive issue of new technology will not be part of the award discussions, an agreement that has removed one big area for argument from the equation. Meat processors are keen to introduce devices such as mechanical pelters that will reduce the number of people employed on each killing chain from the present average of about 50.

The opening of the killing season proper is still a few weeks away and it is too early to be predicting any large measure of gloom.

Grape variety list aids discerning wine consumers

by Frank Thorpy

THE list of the only grape varieties now permitted for labelling wines containing at least 95 per cent of grape juice and 75 per cent of the grape variety names, has been released by a reluctant Health Department and Wine Institute.

Why they were reluctant to issue the information to those most vitally concerned — the public — is puzzling, (but par for the course for bureaucrats) because, the labelling regulations are to the advantage of the discerning consumer.

The first and most welcome news in the list is that no American hybrid or native American Lubrusca varieties has been included.

There are no Bacos or Seibels or Niagara or Albany Surprise, so that anyone who buys a bottle labelled with the grape variety named in the box is sure to be getting a wine made from at least 75 per cent Vitis Vinifera, the only grape growing species which has lasted throughout the known history of the world, and not one of the hybrid grape varieties foisted on the public of New Zealand over the past 50 years.

Gaorge Galr . . . department reluctant

Everything that sparkles . . . la not champagna

One wonders whether New Zealand should not seize the opportunity of getting rid of the word Pinot in front of Chardonnay. Experts all over the world (except perhaps in California) agree that Chardonnay is not a Pinot. Grey Riesling is a term used only in California and the grape, under the name of Chauché Gris in France, is not distinguished. It is a pity it was ever introduced into New Zealand.

Gewurztraminer or Traminer puzzles many winelovers. Originally the grape was Traminer from the village of Tramino in the Adige district of Italy. It was adopted by Austria, Germany and Alsace, and because it has a spicy and also an earthy flavour, particular variations were called Gewurztraminer, the word *Gewurz* means spicy. To save confusion, New Zealand should perhaps use the Australian practice and name all the wine Traminer — it is less of a mouthful.

WINE LABELLING — GRAPE VARIETIES PERMITTED

Allcanle Bouschet, Cabernel Sauvignon, Chassalaa or Golden Chasselas, Chardonnay or Pinol Chardonnay, Chanin Blanc, Gamay or Gemay Beaujolais, Gamay Teinturlar, Gray Riesling, Harmitaga, Malbac, Merlol, Muller-Thurgau or Riasling-Sylvaner, Muecat, Palomino, Pinolage, Pinot Blanc, Pinot Gris, Pinot Maunier, Pinol Noir, Reloaco, Riasling or Whita Riasling, Johannisberg Riesling, Rhine Riesling, Sauvignon Blanc, Samillon, Shiraz, Sylvaner, Traminer or Gawurztraminer.

One wall known grape omitted from tha abova llat is Cabernet Franc, usad a lot in blenda of Bordeaux Wine and available from Te Kauwhala.

Wine made from the Riesling-Sylvaner grape (a cross) or Muller-Thurgau cannot now desecrate the aristocrat of German grapes and be called a Riesling.

Where the variety is the result of a crossing of two varieties (commonly thought to be Riesling and Sylvaner) the varietal names should be joined by a hyphen (Riesling-Sylvaner or Muller-Thurgau).

Where a wine is a blend of two or more varieties, their names should be separated by an oblique stroke (Riesling/-Traminer, with the predominant grape first). This should result in some shuffling round with Cabernet-Pinotage varieties, for example.

If a winemaker chooses not to name a wine by the grape variety, but by the words premium or private bin, this wine also must contain 95 per cent of grape juice or not more than one gram a litre of volatile acidity for red wine and 0.8 gram for white wine.

So it is clear that the discerning winelover may judge by the labels the substance if not the quality of the wine he drinks.

Dry red, dry white and all other proprietary brands may mean that he is drinking wine permitted to have up to 20 per cent additives, sugar and water or in some cases additives, not classed by the Minister of Health as harmful, but which are the subject of growing suspicion in other parts of the world.

Not all of these wines, however, will contain as much as 20 per cent of additives, but unless the proportion drops to 5 per cent the wine must remain in that class.

In wine and food regulations world-wide, what is not permitted is not allowed, and according to this rule, under the sparkling wine regulations the word champagne is not permitted.

Thia is in line with the New Zealand Customs Department ruling, which permits champagne, the product of the district of Champagne in France, to be imported without an import licence, but not any other so-called champagne, and gives it a special tariff concession on the basia that nothing similar is made in New Zealand.

The New Zealand labelling regulations now list three varieties of sparkling wines:

- Bottle fermented as in the style of traditional champagne;
- Fermented as in the Chamtat process;
- Carbonated wine impregnated with carbon dioxide artifically added.

The Madrid Convention of 1891, ratified by New Zealand about 25/30 years later, laid down certain rules concerning the rights of various nations to protect the appelation of manufactured products by international legislation.

Among the products was champagne, and France had it incorporated in the Treaty of Versailles so that ever since, Germany, Austria, Hungary, Bulgaria and Turkey have not been able to call their sparkling wine champagne.

France won a celebrated case in England in the 1960s, so the word there designates produce of Champagne, but the United States and Australia have continued calling their sparkling wine champagne.

Though there have been moves to have the convention abrogated, so far New Zealand adheres to it. One sees little or no New Zealand wine now called champagne, and it is good to know we respect some international conventions.

The only clause in the new regulations that meets with the Wine Institute's disapproval is the one whereby if a wine contains more than 2 per cent by-volume of concentrated grape juice, it is required to be labelled in four millimetre letters with the words "manufactured from reconstituted grape juice".

The institute complains that it is unreasonable and impracticable, but the fact remains that the practice of adding freeze-dried concentrated grape juice has gone too far in New Zealand. Once the grape must has been freeze dried, the grape water, which has been extracted, has to re-added by tap water it is much used in the so-called British wine or sherry.

An important requirement is the need to show on the label the words "artificially coloured" or "colour added" in all cases where the wine has been coloured except by caramel, which is traditional.

To its credit, the Wine Institute did try to have excluded products covered by Section 232, which allows such alcoholic products as the former Brother Dominic, to be made with little or no grape juice at all.

But such products now must carry a statement of the ingredients, including water, in descending order of quantities expressed as a percentage of the whole content of the package.

All in all, the new labelling regulations are good, and beneficial to the consumer.

If the consumer wants to buy a quality bottle of local wine he should perhaps eschew such products as dry red, dry white or and proprietary names as they could, but not necessarily, contain as much as 20 per cent of additives including water and sugar; on the other hand, any wine named by a permitted grape variety or labelled private bin or premium wine should contain at least 95 per cent of grape juice, and in many cases may even contain 100 per cent *mirabile dictu!*

Painting purchases adorn company walls

by Peter Isaac

FINE art represents a major growth in the office equipment market. The heads of major publir companies seem almost as interested in their catalogues and auction lists as in the stock market report.

They are buying paintings to put on their office walls. Visitors, anxious to do big business with Fletcher Holdings, are well advised to tarry a while on the executive floor to take in the celebrated "Fletcher Collection".

Challenge Corporation, fresh from sponsoring the Thyssen touring exhibition, continues to add to its New Zealand collection. The ICI collection is a major one in its own right, built up over the years by aesthetically-inclined chief executives.

Alex Harvey Industries has a company collection. So does UDC. The main producer boards are catching on and dispatching examples of the art to their branch offices around the world.

In under two decades businessleaders have become acutely conscious of fine art. Gone for ever are the prints to cover the wet patches on the wall. Here for good is the pick of New Zealand art — old and new.

"There is no doubt about it," comments Brian Groshinski of McArthur & Co, fine art auctioneers, "large companies and institutions are buying paintings and putting them up on the wall".

Gordon Cooksley of McGregor Wright believes that art for the senior business executive is becoming part of "everyday life" Cooksley, whose firm hendles the paintings of Peter McIntyre worldwide says "these people are realising that they spend nearly as many waking hours in the office as in the home. They want their art where it can be seen and appreciated."

There are some practical factors in the refining of the New Zealand business executive. With visitors like David Rockefeller, Adnan Khashoggi, and Baron Thyssen nobody in charge of a New Zealand conglomerate wants to appear a peasant.

The presence on the walls of obviously distinguished art creates an initial common interesr between the local chief executive and a cultured visitor.

Cooksley believes that the corporate collecting drive has become infectious. "There is a feeling 'if he can do it — so can I' ".

Corporate collecring hegan in earnest 10 years ago, with instantly recognisable names of the representational school. It accelerated rapidly towards the middle 1970s as companies began to "invest" in new artists. Then it seemed to slacken off for a few years.

Now it has taken off again with a much bolder approach as companies take the abstract and superrealists more seriously. The Department of Foreign Affairs is a market leader, and appears to have actively encouraged embassies around the world to display lesser known artists along with the Woolastons.

The Foreign Affaira collection in Wellington is marred by the headquarters partition demountable decor, but it remains one of the nation's boldest.

Director of the Elva Bett Gallery, Louise Beal, points out that the business community is emerging as a very definite market in its own right. The corporate buyer, is particularly responsive to dealer advice.

With the business community staking out such a big part of the art marketplace, the dealer, she says, is emerging in true colours as "an adviser and consultant" rather than just an exhibitor and order taker.

It is not only the big public companies blazing the path. Craig Walsh-Wrightson director of Campaign advertising agency has just bought two huge canvases by Dick Frizzel, from the Bett Gallery, to hang on the walls of his office. It is part of a concerted effort to organise the office away from haphazardly pinned up designs and posters into an environment "in which we have the best art available".

Company purchasing is giving an important boost to the entire arts service industry. ICI's collection includes the oldest New Zenland works, to the very latest and there is opportunity for auctioneers, dealers, and the artists themselves to take advantage of the surge of interest.

Louise Beal . . . corporate buyere reapond to daaler advice

At the same time, the spouses of the directors are taking very much a back seat to the art dealers in selecting purchases. A painting will probably represent the only appreciating fixture there is.

Overseas trade

Germans cool on Kiwis despite local paranoia

by Lindsey Dawson

FEARS that big West German multinational companies are hovering at our doorstep dying for an opportunity to come and invest here aod cream off the profits are unfounded, says German trade representative Rudolf Rindermann.

"It's quite the opposite. When I get interesting trade inquiries from New Zealand companies to try to get a contact in Germany that's hard work for me, because they are very cool about New Zealand.

"They know that it will take a very long time to get a return on their investment here. There is no point in waiting years when they can invest in American, Japanese or Taiwanese business and get their money back within months," he said.

Journalists and others frequently ask questions that indieate New Zealanders are frightened of West German business, but according to Rindemann it's more a question of trying to get Germans interested.

West Germany's new trade office in Auekland, headed by Rindemann, opened recently with a function eagerly attended by loeal busineaspeople who were no doubt drawn as mueh by the invitation to sample German beer and wine as by the promise of assistance in trading with Germany.

The office is one of 40 around the world, run by the West German Association of Chambers of Commerce and Industry but largely funded by the German Department of Trade and Industry.

The decision to establish one here was made in Bonn in October last year along with establishment moves in Lagos, Nigeria (a heavy aupplier of oil to Germany), Seoul and Dublin. In the other three cities combined ehambers of commerce will be set up between Germany and companies of the host country. German interests here are so small that Rindemann's initial brief is to set up a trade office only. His contaet as delegate is for two years and the future depends on how trade develops.

Trade between the two countries is heavily in New Zealand's favour, and most is conducted by large produeer boards rather than private enterpriae – a factor which influenced the decision not to set up a eombined operator along chamber of commerce lines.

Last year the trade volume between the twn countries grew ro $333 million, a 57 percent increase on 1978. West Germany is New Zealand's fifth biggest trading partner behind Australia, Britain, the United States and Japan.

Dairy products and lamb are the only products affected by EEC restriction, says Rindermann. "Venison exports to Germany are now as big as the lamb trade. Kiwifruit are a very important export item. Every German ehild now knows kiwifruit. Although they refer to them aa "kiwia"

There is big potential for expanding the export field into forestry products and fish, he says, although the joint venture project between West Germany and New Zealand in deep-sea fishing has a doubtful future, after the German ship Wesermunde returned home several million dollars in the red.

The best prospects for developing exports in the large German market are in processed primary produce in attractive and marketable forms, according to Rindermann.

From Germany's point of view New Zealand is small cheese. We account for a mere 0.1 per cent of German's 600 billion dollar export trade. "That's why Germans are normally a little cool when New Zealand companies or exporters are mentioned," says Rindermann.

So, what are the Germans looking for in New Zealand?

"You are a big market in some speeial things, specially in the field of machinery and technology – almost every New Zealand factory I have visited has some sort of German machinery."

Asked if upcoming energy and big industrial developments hold special interest for the Germnn government, Rindermann emphasised that in West Germany business decisions were made by businesses – not by the government.

"It's not like here, where every big venture must be sheltered by government or helped by government banks. We have no government banks. Government doesn't interfere. Sometimes it helps if a lot of problems arise in some big joint ventures but normally discussions are only held with companies."

Rindermann said that there were some German-New Zealand projects in sight, but none that would significantly boost West German exports to this country. "One of our problems is that the Deutschmark is so stable that it makes our prices rather high except for specialised machinery which can't be bought elsewhere or is desirable because of higher quality."

Rindermann foresees no big private German investment in New Zealand in the next year or two.

"There are different levels of investment, of course. One is when your government goes on the German capital market and gets some money – that's German investment in New Zealand but not between private companies.

"The next is joint ventures. We have only one or two in shipping in deep-sea fishing. There are some problems about it. I don't think that in the next few years there will be a lot of interesting development. Some new projects may start but there will be no multi-million dollar investment there. I think we can forget it.

"There is some investment by private individuals here but it's not a very important amount."

The important thing to develop is trade, not investment, says Rindermann. New Zealand has a lot going for it, he says. After working in African and Eastern bloc countries during the last 12 years he considers doing business in New Zealand relatively frustration-free.

We should be aware of the advantages that we have here in being able to produce high quality foodstuffs in a climate which generally provides a stable output, without the massive droughts, floodings or extremes of temperature found in other countries.

"You are lucky that you don't have to worry about that. It means you can put all your intelligence into processing the right things for the right markets."

Forestry

Timber tempers start highway showdown

by Greg Newton

A SHOWDOWN is coming on the nation's highways.

In the blue corner is the National Roads Board, a statutory authority that was, in 1971 administering five per cent of total Government spending. Today it is in charge of around two per cent.

In the red corner is the forest industry poised at the foot of a production mountain that during the 1980s will see new timber processing industries established in Northland, Nelson and Otago, with more to come in the 1990s.

The argument is who will have to provide the highways required to carry the vast quantities of timber to be plucked from the forests?

A weigh-in ceremony has been conducted, only rarely in public, for several years.

It climaxed during 1978 when Freightways was awarded the contract to cart pulp from the new Karioi pulp mill in the central North Island to Napier for export.

Freightways wanted to use the Taihape-Napier road that could not have withstood the loads involved. Major upgrading would have been required – upgrading that the National Roads Board could not afford to carry out.

In the end, the job went to the Railways Department which trimmed the price it had originally submitted for the job and the issue dropped from sight again.

Round one is eoming up.

The Taumaranui County Council has announced its intention of levying logging trucks, which use some of its roads, a tax of six cents a tonne-kilometre. It has agreed to hold off the imposition until the National Roads Board makes its five-yearly trip through the district at the end of this month.

In the same part of the world, the Waimarino County Council and Winstone-Samsun, operators of the Karioi mill, are in dispute. The couneil asked for a contribution from the company for the extra road maintenance costs that will be caused by the heavy traffie generated by the mill and were refused.

The forest industries will largely be developed in areas where existing road networks are geared to rural uses, dominated in the past by farm traffic and the comparatively light loadings generated in the planting and early management stages of forest development.

These areas missed out on the roading construction plunge that began with the establishement of the NRB and its guaranteed income in the early 1950s. Most of that money went into urban motorway construction and improvement of the major arterial routes; priorities that rated tops in the days when New Zealanders were growing wheels and the private ear was king.

Even today, energy problems and drastically reduced growth in private motoring notwithstanding, many of the roading projects showing the greatest return on investment are in urban motorway extension works and the elimination of remaining blockages in the arterial network.

The NRB is no longer the cigar-smoking quango that in 1964 was able to give the Government back $2 million because the money was not needed. The tax manipulations of successive Governments have practically eliminated its independence, and throughout the 1970s it has had to rattle a collection box outside Parliament seeking state funds – in reality, roading taxation diverted to the consolidated fund – to maintain a much-diminished construction programme.

The Government now sets a budget total for the board to spend each year but increases have never matched inflation. The Ministry of Works and Development's construetion eost index, the CPI of construction, rose 30 per cent last year, while the board's budget rose by around five per cent.

Maintenance of existing roads is now devouring close to 90 per cent of the board's revenue.

With its finances weakened, the board is in no position to undertake mnjor construetion prnjeets that will be required in the near future.

And its ability to subsidise local authority programmes is severely limited with the result that ratepayers in areas where new industries have been established are screaming because their couneils are forced to divert increasing shares of their income to roads damaged by heavy traffic associated with those industries.

The precedent for new industries to contribute to associated ruading costs is well-established, at least in the public sector. The Electricity Department paid fur upgrading the state highway link between Turangi and Nntional Park in the early days of the Tongariro development, paid most of the bills in the MacKenzie Basin for work associated with the Upper Waitaki power scheme, and is now paying for a new high-level road through the Cromwell Gorge on the Upper Clutha.

Forestry interests and truck operators have a sharp comeback to that; they say that they pay their road user charges, and that's that.

But the NRB in turn points out that road user charges have not yet reached the stage where they are netting the full share of the costs that heavy transport imposes on the roading network, and extra contributions should be required when new industries are established in districts with inadequate roads.

This stand-off has been maintained for some time now, and current events in the central North Island indicate that tempers are beginning to fray in both corners.

Forest industries have few alternatives to road transport. Rail is not really on, except for processing plant-to-port transport.

Barging has been proposed for the Northland developmeot, and may be used in the Marlborough Sounds in the 1990s. But the option is not generally available because of the requirement for easy access to the sea or navigable rivers.

Transport costs are a large component of timber processing industries, and the quality of the roads can have a big impact on operating costs, affecting fuel consumption and vehicle life. Forestry is one industry that is still very conseious of the old Stand Goosman adage that; "you have to pay if you want good roads, and you pay twice if you don't".

Settling the battle will eventually involve compromise, with the Government probably having to act as both referee and sponsor.

The proponents of major forest development will probably end up making some contribution to the cost, perhaps financed with concessional loan mooey while the Government itself is going to have to take a more realistic attitude to roading expenditure if timber extraetinn and processing is to remnin economical.

The first moves in this direction came in this year's Budget with the allocation of $500,000 for the upgrading of existing roads for forestry and tourism.

The Forest Service quickly got its name down for the whole lot; $250,000 for the Esk Forest in Hawkes Bay, with the rest for other roads in the Hawkes Bay and Wairarapa region. It is a situation that hns not amused the NRB which is also under pressure from tour operators in places like the far north, Mt Cook and Fiordland.

It appears that the referee is going to have to put a much bigger purse if he is to stop the fight going past the first round.

But with Cabinet Ministers apparently having despatched roading to the non-essential basket for the next few years, it is difficult to see the Government putting up the $3 million a year that roading experts estimate will be needed to make serious inroads into the problem.

Oil products pipeline reports updated

AN oil products pipeline between Auckland and Whangarei is now almost certain to be built.

The New Zealand Refining Co Ltd has engaged American-based consultant Pipe-Tech, which has been involved in past studies here for natural gas pipelines to update 10-year-old reports.

Strong hints that the proposal had been upgraded from "maybe" to "almost certain" were dropped in the 1980 Energy Plan which said that in the short term "priority will need to be given to the tank-building programmes associated with the refinery expansioo and the new Auckland terminal (Wiri) for the possible refinery-Auckland pipeline".

The pipeline and tank-building programmes are part of the development of a national strategic petroleum reserve and it has been pointed out that a pipeline would have considerable storage capacity in its own right.

Various routes for the pipeline are under consideration but the most economical, which involves a harbour erossing in the vicinity of Manukau Heads, may be ruled out on environmental grounds.

Costs are unknown at this stage and will be dependent on the route chosen aod the depth of cover required for safety reasons. The figure of $100 million is being mentioned.

New local laminated glass resists penetration

A $1.5 million investment in plant and buildings has enabled Pilkington Brothers (New Zealand) Ltd to use a high-technology plastic material in the manufacture of laminated glass. All laminated glass was previously imported.

Pilkington's managing director Ron Cambie, said the new plant at Taita in the Hutt Valley gives greater opportunity for the automotive and architectural industries to use the technology.

At the heart of the new laminated glass is Polyvinyl Butyral, a translucent plastic which, when bounded to the glass in a heat-pressure chamber, turns transparent.

Two types of polyvinyl butyral plastic are used in the manufacture of laminated glass. One, for all architectural and security applications and the other, a high performance plastic, for motor vehicle windscreens. The automotive product offers a higher resistance to penetration by a rifle bullet.

THIS survey on the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand

The most common uses of laminated glass are in motor vehicle windscreens and where safety and security is planned.

Unlike the conventional toughened *glass windscreen* which shatters into small granules, the laminated glass screen "stars" at the point of impact. It is seldom penetrated. This retains visibility for the driver, and affords protection against the weather. The screen can be replaced at the driver's convenience.

This is particularly useful in large trucks where downtime is costly.

Laminated glass is recommended where there is a danger of people coming into violent contact with the glass – shower cubicles and bath surrounds, and floor to ceiling doors and windows for example.

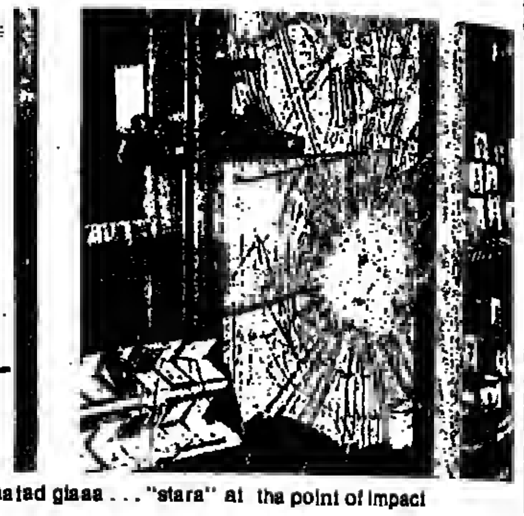
Thicker and stronger "*Bondlite*" known as anti-bandit glass is available for use in shop windows where the resistance to penetration makes it an effective barrier against smash-and-grab attack.

The manufacture of laminated glass is a complex process which requires attention to detail and atmosphere controlled conditions.

For laminated glass windscreens, two sheets of flat float glass, cut to the correct curvature are washed, sprayed with a fine solution to stop them sticking to each other, and placed together in a mould, curved to a body shape to suit the vehicle model.

After heating under an electric oven, the glass sheets sag and adopt the shape of the mould. Under controlled atmospheric conditions, the polyvinyl butyral interlayer sheet (sometimes with a tinted *band*) is placed between the glass sheets. As much trapped air as possible is then expelled by means of rollers. Later, the windscreens, which are translucent, are placed in an autoclove, a large pressure-temperature chamber where they are cured.

The end product is a completely transparent windscreen, indistinguishable from a single sheet of glass.



Laminated glass . . . "stars" at the point of impact

Ron Cambie said that now Pilkingtons has the capability to produce this type of glass laminate, he forsees it being used for windscreens in New Zealand-assembled vehicles both as original equipment and through the replacement market. Usage, he says would be based on consumer demand rather than Government legislation.

President welcomes new unemployment approach

THE new approach to unemployment and retraining suggested by the Planning Council is to be welcomed by the industry, according to Plastics Institute president, John Mason.

He told the annual meeting of the institute's Auckland branch that it was important the industry did not cut back on training of skilled personnel due to the current depressed economic climate.

Training programmes to provide skilled engineering tradespeople and other skilled personnel must be increased if the plastics industry was to have the personnel resource available for its anticipated growth in future years, he said.

The industry for many years had fostered "in-house" training programmes for its employees through its own technical training group which worked closely with technical institutes.

But Mason said the Government-funded education system had a far wider responsibility for providing vocational training of school leavers during the first years of tradesperson training.

Government, he said, should de-emphasise university education in favour of technical institute and apprentice training which produced skills more in keeping with the country's requirements.

Mason said that the plastics industry employed a large

John Mason . . . advocates apprentice training

number of skilled and semi-skilled people within its work force of more than 6000. Many of these, he said, were employed in regional areas, where continuity of employment could not be guaranteed if businesses in such areas were to fail to retrench and where the effects of such retrenchment could have major effects on a local community.

Logo reflects approach

THE Plastics Institute is to adopt a new graphic identity to reflect its approach to industry affairs.

The new logo was designed by a second-year student at

pinz

Wellington Polytechnic's School of Design, Patrick Murphy.

The design, selected from 28 design school students' submissions, was judged the best entry by a panel of design tutors and industry people.

Design school tutor, Bob Bassent, said the project, run as a competition, gave the students an opportunity to "get their teeth" into a real project rather than a theoretical design exercise.

He said it was unusual for the design school to run such competitions but support from the Plastics Institute for numerous other polytech activities justified this case.

Slightly modified, the logo will appear on the institute's letterhead and on the publications it produces.

The design will be available to members of the institute to incorporate into their stationery, and it will be used to help foster a greater recognition of the role plastics materials play in everyday life.

Australian products find big lucrative market here

New Zealand is the most significant country of destination for Australian-produced plastics materials and products, according to figures compiled by the Australian Bureau of Statistics.

Since 1977 Australian production of materials and products has increased by 39 percent to a value of nearly $58 million.

Statistics show that this country, which is the largest customer for Australian plastics materials and products, took about 39.2 per cent of its total plastics exports in 1977-78 and 24.1 per cent in 1978-79.

The slight reduction in New Zealand's share of Australian plastics exports appears to have been accompanied by slight increases in the exports, particularly of plastic products, to an increasing number of south-east Asian countries.

The most significant countries of destination for plastics materials were New Zealand, taking 33.9 per cent of the total valued at nearly $11 million; Singapore, 7.6 per cent valued at $2.5 million; Papua New Guinea taking 3.1 per cent of the total, valued at nearly $1.5 million.

In 1978-79 New Zealand took 24.8 per cent of Australia's total plastics products production valued at more than $3 million.

Papua New Guinea claimed 14.6 per cent of the total, valued at nearly $2 million and Singapore only 7.5 per cent, or $939,000 worth.

PINZ executive director Bruce Dunlop said the New Zealand plastics industry relied on Australia, to a considerable extent, for its raw materials supply.

He said that while the industry recognises that closer economic ties with Australia are inevitable, and will perhaps result in a total phase out of protection on products from Australia in the long term, New Zealand industry must have some breathing space to develop both local and exporting competitiveness.

Dunlop said the plastics industry had an enormous potential for growth in both local and offshore markets, but this potential would be severely hampered if increased quantities of Australian-made plastic products were allowed free entry to this country.

He said some areas of the local plastics industry had developed without any form of protection, and in fact did not require any, but a small domestic market and the resultant short production runs meant that some form of protection was still required by other sectors.

Dunlop said PINZ believed that import licensing was the most appropriate form of protection for most of the plastics industry and argued that the retention of import licensing did not necessarily go hand-in-hand with inefficiency.

The plastics industry had a turnover of more than $300 million last year. It exports about $35 million a year both direct and indirect exports and produces locally more than $200 million worth of plastics products and materials which would otherwise have to be imported.

Side-sealing enables tailor-made shrink-wrap

A $200,000 side-sealing machine, recently installed at the Porirua plant of W R Grace (NZ) Ltd, has enabled the manufacture of tailor-made shrink-wrap bag for primary produce industries.

The machine, manufactured by Grace in the United States and modified to suit local packaging requirements by the company's local technical personnel, can produce bags to any width size.

This is the first time that such a service has been available in this country.

Traditionally, shrink-wrap bags are end-sealed, and by virtue of the available technology, were produced to standard dimensions.

According to Grace Cryovac plant manager, Graeme Ward, the new machine can make bags to within one millimetre of any width requirement.

Trials have shown that side-sealed bags give a better finished appearance with some products than end sealed bags. Ward said an added advantage of the side-sealed shrink bags was that they have a greater tendancy to sit flat on automatic sealing equipment which results in a faster throughput and a reduced bag rejection rate.

He said that while a side-sealed bag could offer packers of some foodstuffs certain advantages over end-sealed bags, they would not totally replace the end-sealed types.

Following packaging trials with cheese, a major cheese producer has placed a substantial order for custom printed side-sealed bags.

Polypails for ice-cream

FIVE-litre polypails, complete with airtight lid and wire handle, are providing a successful new approach to the retail *marketing* of ice-cream.

The national retail chain, Woolworths NZ Ltd, has adopted the polypails as containers for a new type of American ice-cream to be sold through all retail outlets.

The polypails, best known to consumers as convenient carry-home containers for paint, are manufactured by Consolidated Plastics Industries.

CPI's industrial sales manager, Graham Jensen, said this was the first fresh food application for polypails. He said the polypail range was already well-established as a container which offered a host of valuable after-uses to consumers.

Woolworths' frozen food buyer, Mike Willis, said that the after use benefits offered by polypails were an important factor in the company's decision to market the product nationally.

He said grocery retailing had become a very sophisticated business, and packaging, which offers a bonus secondary use to the consumer, is a significant aspect of it.

The marketing of ice-cream by the bucket load has proved very successful in both the United States and Australia, and the company expect similar success locally.

CPI has already established an export market for the polypails in association with ice-cream manufacturer Taylor Bond Ltd, of Auckland.

Empty pails are being sent to Fiji and filled there with locally produced ice-cream product.

Plastics

Brick tie released

SIGNIFICANT export sales are expected for a polypropylene brick tie recently released on to the domestic market by Talbot Plastics Ltd, of Christchurch.

Company principal Peter Talbot said the brick tie, which last week was awarded use of the Designmark, has been 18 months in development.

He said the tie, which secured brick veneer sidings to housing framework, will supercede the variety of metal ties currently being marketed here and overseas.

The tie is not subject to corrosion and the polypropylene material is not affected by temperature variation or climatic conditions.

Talbot said the dramatic increase in the quantity of outdoor brick veneer being used by the construction industry world-wide prompted manufacture of the brick tie. He said the product has been designed in association with the Building Research Association and conformed to Standard 3604.

Market research, recently completed in Australia, has indicated a large market for the brick tie in that country. Accordingly, Talbot Plastics will concentrate on supplying that marketplace. Australian demand for the new tie is expected to be for more than one million units in the first year.

Talbot said, that while the product will also be available here, the local market would be secondary at this stage. He said the size of the Australian market justified longer and more economical production runs, and ultimately would result in a less expensive product for local consumption.

Bader experts to visit

TWO senior technical executives from the British-based Scott Bader Company Ltd will visit New Zealand in mid-November to deliver technical papers on glass-reinforced plastic (GRP). The company is a leading manufacturer of Crystic polyester resins for industry.

Ken Parvin is a resin chemist with the Scott Bader group, and Les Norwood, a scientist, specialises in the physical performance of Crystic polyester resins and mechanical properties of GRP laminate.

The visit has been arranged through Monsanto NZ Ltd — the local sales agents for Crystic resins. Ken Parvin has been involved in the development and use of polyester resins, for more than 20 years.

The two men will begin their week-long visit to New Zealand on November 15. They will meet Monsanto clients and will spend time with technical and production staff from Reverteс Industries (NZ) Ltd, the local manufacturers of Crystic resins.

One of the technical papers will cover resin selection for the manufacture of fibreglass yacht and boat hulls. The function will be attended by marine construction experts.

At a second function, the visitors will present information covering the design aspects of the use of GRP in chemical plants and the relationship between chemical resistance and the physical properties of GRP laminate.

Scott Bader licencees, throughout the world, are linked to each other through the Crystic Research Centre in Wollaston England. In New Zealand, the Monsanto-Revertex partnership is part of that link.

Firm prepares trial tag deal

A TRIAL $80,000 shipment of plastic ear tags is being prepared by Palmerston North's Allflex Holdings Ltd for export to markets in Central and South America.

And according to Allflex export sales executive, John Beattie, who has just returned from the area as a member of the Export Institute trade mission, the market potential for the animal eartagging system, particularly in Argentina, is considerable.

This is the first time a representative from Allflex has visited Central and South America and the firm established good relations with several companies and government organisations there, Beattie said.

"We have appointed a sole agent to cover Argentina, Uruguay and Paraguay. It is a large Argentinian company dealing in a broad range of agricultural supplies and one of the few which would be capable of covering a market of the size. There are 60 million beef cattle in Argentina alone, with Ecuador, Uruguay, Paraguay, Costa Rica and Venezuela also having large herds.

"Ecuador, Costa Rica and Venezuela are different types of markets but they are becoming increasingly involved in cattle artificial insemination programmes and this type of programme requires accurate and reliable means of animal identification to be effective.

"We have appointed an exclusive distributor in Ecuador and Costa Rica. In Venezuela we will be working through government agencies, universities and other research centres," he said.

Beattie said the main problem in all markets is user education. There is a need to change the old way of the breading iron, he maintains. The old method results in pelt damage and there is an additional problem of the labour required to restrain the animal for branding.

"All the companies we are dealing with are involved with artificial insemination programmes, apart from the one in Argentina, and they have all made a commitment to educate farmers and government personnel in the use of the tagging techniques."

One aspect which was emphasised to the trade mission was that animal recording was in the national interest. "Recording is the important aspect of the programme but it is often not considered until the last moment," Beattie said.

Some of the markets which Beattie visited already have some tags available but the humane aspect and speed of application with minimal animal discomfort were the most impressive features to potential distributors of the Allflex tags.

"Its early days in this market yet, but I confidently expect that initial orders will be more than $100,000," Beattie said.